MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Carmel Sepuloni	**Portfolio**	ACC
Title of Cabinet paper	2022/23 – 2024/25 ACC Levies	**Date to be published**	22 December 2021

List of documents that have been proactively released		
Date	**Title**	**Author**
24 November 2021	2022/23 – 2024/25 ACC Levies	Office of the Minister for ACC
24 November 2021	Cabinet Economic Development Committee Minute of Decision, 2022/23 – 2024/25 ACC Levies [DEV-21-MIN-0249 refers]	Cabinet Office
17 November 2021	Stage 2 Cost Recovery Impact Statement: 2022/23 – 2024/25 ACC levies	Ministry of Business, Innovation and Employment
18 November 2021	Regulatory Impact Statement: Experience Rating – increase loading and add fatality modifier	Ministry of Business, Innovation and Employment
25 October 2021	2022/23 – 2024/25 ACC levies: Levy Scenarios and Super Rugby classification Units	Ministry of Business, Innovation and Employment
29 October 2021	ACC levies 2022/23 – 2024/25: Final ACC and MBIE recommendations	Ministry of Business, Innovation and Employment, Accident Compensation Corporation

Information redacted **YES / ~~NO~~**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld to protect confidential advice to Government and the privacy of natural persons.

In Confidence

Office of the Minister for ACC

Cabinet Economic Development Committee

2022/23 – 2024/25 ACC LEVIES

Proposal

1 This paper seeks Cabinet's agreement to:

1.1 average levy rates for 2022/23, 2023/24, and 2024/25 for the ACC Work, Earners' and Motor Vehicle Accounts;

1.2 levy-related technical policy proposals relating to specific Classification Units, the rate of credit interest payable on provisional Work levies, maximum and minimum liable earnings, and the Experience Rating Programme.

Relation to government priorities

2 Setting levy rates is a statutory requirement under the Accident Compensation Act 2001 (the AC Act).

Executive Summary

3 ACC collects levies and allocates them into different Accounts, alongside the government-funded Non-Earners' Account. Levy rates are currently reviewed and set by Cabinet every three years, based on recommendations from ACC and the Minister for ACC.

4 Under ACC's Funding Policy Statement (FPS), levies in any given year are intended to be equivalent to the lifetime cost of rehabilitating those who are injured in that year, excluding the cost of claims made by non-earners (which are government-funded) and investment returns. This cost may be spread over a long period of time, given the nature of some injuries covered by ACC.

5 The FPS also aims to ensure the Accounts are 100 per cent funded (ie, the value of the Accounts is only enough at any one time to cover the lifetime cost of all claims that have been made at that time), or are returned to 100 per cent funding levels over 10 years by increasing or decreasing ACC levies.

6 ACC's levied Accounts are currently in surplus: they have more funds than are required to cover the lifetime cost of all claims that have been made to date. However, current levy rates are below the lifetime costs of claims that ACC receives each year.

7 ACC considers that, without changes to levy rates, the surpluses will be drawn down over time and the balance of the levied Accounts will not cover the lifetime cost of all claims. This deficit may need to be addressed via higher levies on future generations of New Zealanders and their businesses.

8 I have received ACC's recommended levy rates, which involve an initial decrease to the levy rate for the Work Account, returning to 2021/22 levels by 2024/25, and increases for the Earners' and Motor Vehicle Accounts.

9 I have also received advice on levy rates from the Ministry of Business, Innovation and Employment (MBIE). MBIE's advice considers the wider public interest, such as the impact of levy rates on the economy and on households and businesses. MBIE recommends a decrease to the levy rate for the Work Account, an increase to the levy rate for the Earners' Account, and no change to the levy rate for the Motor Vehicle Account.

10 MBIE officials have also provided me with advice on a 'no increases' option, which would involve MBIE's recommended decrease to the levy rate for the Work Account and keeping levy rates for the Earners' and Motor Vehicle Account at their current levels for the 2022/23 – 2024/25 levy years.

11 ACC and MBIE's recommendations are compared to the levy rates for the 'no increases' option in **Tables 1, 2, and 3** below.

Table 1: Option 1 – ACC's recommended average levy rates

	Current 2021/22 levy rates	ACC's Recommended Levy Rates			Net rate change over 3 years
		2022/23	2023/24	2024/25	
Work Account	**$0.67** per $100 of payroll	$0.63	$0.65	$0.67	**No change**
Earners' Account	**$1.21** per $100 wages	$1.27	$1.33	$1.39	**$0.18 increase**
Motor Vehicle Account	**$113.94** per vehicle	$120.20	$128.83	$138.08	**$24.14 increase**

Table 2: Option 2 – MBIE's recommended average levy rates

	Current 2021/22 levy rates	MBIE's Recommended Levy Rates			Net rate change over 3 years
		2022/23	2023/24	2024/25	
Work Account	**$0.67** per $100 of payroll	$0.63	$0.63	$0.63	**$0.04 decrease**
Earners' Account	**$1.21** per $100 wages	$1.27	$1.33	$1.39	**$0.18 increase**
Motor Vehicle Account	**$113.94** per vehicle	$113.94	$113.94	$113.94	**No change**

Table 3: Option 3 – Decrease to the average levy rate for the Work Account and maintaining current average levy rates for the Earners' and Motor Vehicle Accounts

	Current 2021/22 levy rates	No Increases to Levy Rates			Net rate change over 3 years
		2022/23	2023/24	2024/25	
Work Account	**$0.67** per $100 of payroll	$0.63	$0.63	$0.63	**$0.04 decrease**
Earners' Account	**$1.21** per $100 wages	$1.21	$1.21	$1.21	**No change**
Motor Vehicle Account	**$113.94** per vehicle	$113.94	$113.94	$113.94	**No change**

12 Each option prioritises different outcomes, as demonstrated in **Table 4 below.**

Table 4: Key outcomes prioritised by each option

Option 1: ACC's recommended levy rates prioritise…	Option 2: MBIE's recommended levy rates prioritise…	Option 3: No increases to levy rates prioritises…
Drawing down surpluses over time to benefit current and future levy payers A gradual return to the 100 per cent funding ratio target Reducing the risk of greater levy increases in future Reducing the risk of levy fluctuations	Using surpluses faster to benefit current levy payers An earlier return to the 100 per cent funding ratio target for the Work and Motor Vehicle Accounts Limiting financial pressure on current Work and Motor Vehicle Account levy payers Accepting the risk of higher increases in the future for Work and Motor Vehicle Accounts, all else being equal	Using surpluses faster to benefit current levy payers An earlier return to 100 per cent funding ratio targets Limiting financial pressure on current levy payers Accepting the risk of: • higher levy increases in the future for all the Accounts, all else being equal • running the Earners' Account down below the 100 per cent funding ratio target

13 I propose that Cabinet considers all three options and decides which outcomes we should prioritise.

14 ACC also publicly consulted on several levy-related technical policy proposals. I recommend that Cabinet agree to:

14.1 make changes to specific Classification Units (CUs) to ensure businesses pay levies that accurately reflect the level of risk involved in their activities

14.2 change the rate of credit interest payable on provisional Work levies to more accurately reflect the current economic environment

14.3 update the maximum and minimum liable earnings that relate to levy rates to reflect movement in incomes, and

14.4 make changes to the Experience Rating Programme (ER) to ensure that businesses with poorer workplace safety records are incentivised to enhance workplace safety, as recommended by ACC.

15 I intend to announce the new levy rates in December 2021, following Cabinet agreement. This timing is critical to allow software providers and Inland Revenue to update their products in line with Cabinet's decision.

16 Regulations will then be required to enable the collection of ACC levies at the new levy rates from 1 April 2022 for the Work and Earners' Accounts, and 1 July 2022 for the Motor Vehicle Account.

Background

The AC Scheme is funded by levies and a Government appropriation

17 The Accident Compensation Scheme (the AC Scheme) provides no-fault personal injury cover which is funded from five separate Accounts, three of which are directly funded by levies. **Table 5** below provides a summary of how each of the Accounts are funded and the types of injuries they fund.

Table 5: Summary of ACC Accounts

Account	Funded by	Pays for
Work	Levies on employers and the self-employed (based on information from Inland Revenue)	Work-related injuries
Earners'	Levies on earners through PAYE (or invoiced directly by ACC for self-employed people)	Earners' non-work injuries (not including motor vehicle and treatment injuries)
Motor Vehicle	Levies on motor vehicle owners through registration fees and users at the petrol pump	Accidents on public roads involving moving vehicles
Non-Earners'	Government appropriation	Non-earners' injuries (not including motor vehicle and treatment injuries)
Treatment Injury	Levies from the Earners' Account and Government appropriation from the Non-Earners' Account	People injured as a result of medical treatment

Average levy rates are calculated using claim and economic assumptions

18 Average levy rates for each levied Account are calculated in three steps:

18.1 ACC forecasts the cost of future injuries using projected claim assumptions such as claim costs and frequencies, and economic assumptions such as discount rates and investment forecast. This is the New Year Claims Cost.

18.2 ACC then calculates the average levy rate to pay for the forecast injuries. This is the New Year Rate.

18.3 Adjustments are then made based on whether the levied Accounts have a funding surplus or funding deficit for past claims, taking account of the FPS requirement to adjust levy rates to return towards the 100 per cent funding ratio target over time.

19 The New Year Claims Cost for each levied Account, and the funding adjustments for each levy rate path, are included in the Cost Recovery Impact Statement attached as **Appendix 1.**

Work and Motor Vehicle Account levy rates are redistributed to reflect risk

20 The actual Work Account and Motor Vehicle Account levy rates paid by levy payers may differ to the average levy rates, as these are adjusted based on risk relativities. Work Account levies are adjusted based on the level of injury risk in different industries, while Motor Vehicle Account levies are adjusted based on the type of vehicle being driven.

21 As part of the levy setting process, ACC looks at factors such as the nature and cost of claims actually made and adjusts detailed levy rates to reflect the changing risk profile of different business Classification Units or vehicle classes (**Appendix 4**). This ensures everyone pays a fair rate, but means that some levy payers may pay more even though the average levy rate decreases, or pay less even though the average levy rate increases.

Setting levy rates involves balancing a range of objectives and factors

22 Setting levy rates involves balancing a range of objectives and factors, including fully funding the Accounts, levy stability, intergenerational equity, collecting the minimum amount necessary, and the public interest. It involves a trade-off between pricing expected future costs, and covering past over and under-funding to maintain AC Scheme solvency.

23 There is also a degree of uncertainty. Discount rates change, and so do estimates of the true cost of new year's claims, as ACC's actuaries update their valuation of the liability.

24 ACC levies have features of taxes, and as such I consider that we should aim to collect the lowest amount required to comply with the legislated principles of financial responsibility.

25 Confidential advice to Government [redacted]

Higher claims costs and economic factors have placed pressure on the levied Accounts, but they are in a strong funding position

26 Poorer rehabilitation rates, more claims requiring weekly compensation for longer, and higher average payments have placed pressure on all of the levied Accounts. More sensitive claims in the Earners' Account and higher use of care hours by people with serious injuries in the Motor Vehicle Account are particular pressures for those Accounts.

27 The Work Account, while affected by poorer weekly compensation and rehabilitation performance, is sheltered by its high funding ratio (131 per cent as at June 2021), compared to the other levied Accounts.

28 **Table 6** below outlines the influences and pressures on the levied Accounts.

Table 6: Influences and pressures on each levied Account

Driver	Work Account	Earners' Account	Motor Vehicle Account
Higher claims costs	Poorer weekly compensation performance across all accounts: more claims, longer duration of payments and higher average payments.		
	More serious injury claims than expected.	Higher than expected numbers of sensitive claims. Higher than expected average cost of payments for serious injury care claims (ie, increased rehabilitation costs).	Increases in serious claims costs. Increases in bulk funded claim costs, including the cost of emergency care and Public Health Acute Services.
Discount rates and forecast investment returns	Changes to discount rates and a forecast of reduced investment returns increased the expected cost of claims across all levied Accounts.		
Recent investment performance	In the last three years there has been more growth in the value of ACC's assets than increases to its liabilities as a result of discount rate changes, meaning the funding positions of the levied Accounts are strong.		
FPS changes	Cabinet's 2019 changes to the FPS, removing some risk margins and reducing the funding ratio target to 100% for all accounts, means the funding positions of the levied Accounts are strong.		

Levy increases are inevitable over time as the gap between levies and the true cost of injuries must be closed for the AC Scheme to remain sustainable

29 ACC notes that the levy rates are on average 25 to 47 per cent below the lifetime cost of rehabilitating those who are injured each year. At present the gap between the actual levy rates and the New Year Rates is 'funded' using the surplus of funds in the levied Accounts.

30 The FPS is designed to balance the use of a surplus of funds (or recovery of a deficit of funds), the volatility of assets and liability valuations over time, and the closing of the gap between actual levy rates and New Year Rates.

31 Using more of the surplus of funds than the FPS recommends, by keeping levy rates lower in the short-term, will increase the risk of larger levy rate increases being needed in the future, all things being equal.

I must have regard to the principles of financial responsibility and the public interest when recommending levy rates

32 Section 166A of the AC Act outlines the following principles of financial responsibility in relation to the levied Accounts:

32.1 the levies derived for each Account should contain the funds to **meet the lifetime cost of claims** in relation to injuries that occurred in a particular year

32.2 **under and over-funding should be corrected** by the setting of levies at an appropriate rate for subsequent years

32.3 **large changes in levy rates should be avoided**.

33 Additionally, I must **have regard to the public interest** when recommending levy rates[1].

I have received a recommendation from ACC on levy rates which gives effect to the requirements of the FPS

34 Section 331 of the AC Act requires ACC to publicly consult on levy rates, and then recommend levy rates to me which give effect to the requirements of the FPS (**Appendix 2**)[2].

35 ACC has met its obligation to publicly consult and has provided me with a recommendation on levy rates, set out in **Table 1** above.

36 These rates provide for a smooth return to the 100 per cent funding ratio target, meaning the current surplus of funds in all three levied Accounts will be spread over a ten-year funding horizon, benefitting both current and future levy payers.

37 Increasing levy rates now for the Earners' and Motor Vehicle Accounts reduces the risk that future levy payers will be burdened with higher levy rate increases in the future. However, it may place pressure on current levy payers and their disposable income.

MBIE has undertaken independent quality assurance of ACC's recommended levy rates and found that they are reasonable and consistent with the AC Act

38 An independent quality assurance of ACC's actuarial forecasts and assumptions, upon which ACC's recommended levy rates are based, has been undertaken by MBIE's independent actuary, Deloitte.

39 Deloitte noted that ACC has applied the FPS appropriately, and that ACC's recommended levy rates are reasonable and consistent with the principles of financial responsibility set out in the AC Act.

MBIE has also provided recommended levy rates

40 Deloitte also provided a summary of alternative levy paths, requested by MBIE. This has informed the recommendation on levy rates that MBIE has provided to me, set out in **Table 2** above.

41 Unlike ACC's recommended levy rates, MBIE's recommended levy rates do not need to give effect to the requirements of the FPS, and may also take the wider public interest into account. The recommended levy rates provided to me by MBIE also meet the requirements of the principles of financial responsibility set out in the AC Act.

42 MBIE's recommended levy rates use more of the surplus of funds for the Work and Motor Vehicle Accounts, benefitting current levy payers. However, this does risk burdening future levy payers with higher levy rate increases in the future, if current forecasts hold.

[1] Section 300 of the Accident Compensation Act 2001.

[2] Last updated April 2021.

43 MBIE's recommended levy rates are influenced by the cost pressures currently facing motorists and the fact that the Earners' Account is the most at risk, therefore a more cautious approach to avoid significant levy rate increases in the future is recommended.

Cabinet may also decide to set levy rates at different levels from those recommended by officials, or keep them at current levels

44 Cabinet is not bound to accept one of ACC or MBIE's recommended levy rates. It may consider that an alternative path forwards is in the best interests of New Zealanders and decide that levy rates should be set at different levels for one or more of the Accounts, including keeping levy rates at current levels.

45 To provide Cabinet with a full suite of options for consideration, I asked MBIE for advice on a 'no increases' option. This would involve MBIE's recommended decrease to the levy rate for the Work Account and keeping levy rates for the Earners' and Motor Vehicle Account at their current levels for the 2022/23 – 2024/25 levy years.

The options reflect different weightings that could be given to the interests of current versus future levy payers

46 While each of the levied Accounts are currently reporting surplus funds, levies are currently set $1.39 billion below the costs of new injuries each year. The FPS, which binds ACC's advice, is designed to balance the challenge of fluctuating funding positions due to changes in the economy and closing this under-levied gap to provide a smooth path for levy payers.

47 MBIE is able to consider ACC's recommended levy rates and factor in the wider public interest. MBIE's recommended levy rates have considered the following factors:

- impacts on businesses of the current economic climate, as well as impacts on individuals including rising inflation and costs of living (including current high petrol costs)
- ensuring the levied Accounts remain as close as possible to the 100 per cent funding ratio target. In some cases this may mean running an Account down faster to reach the target or ensuring an Account does not dip below the target too quickly.

48 In summary, each option reflects different weightings that could be given to the interest of current levy payers (MBIE, no increases) versus future levy payers (ACC), as outlined in **Table 7** below.

Table 7: Summary of options analysis

	Option 1: ACC's recommended levy rates	Option 2: MBIE's recommended levy rates	Option 3: No increases to levy rates
These levy rates mean we prioritise…	Drawing down surpluses over time to benefit current and future levy payers A gradual return to the 100 per cent funding	Using surpluses faster to benefit current levy payers An earlier return to the 100 per cent funding ratio target for the Work	Using surpluses faster to benefit current levy payers An earlier return to 100 per cent funding ratio targets

	Option 1: ACC's recommended levy rates	Option 2: MBIE's recommended levy rates	Option 3: No increases to levy rates
	ratio target Reducing the risk of greater levy increases in future Reducing the risk of levy fluctuations	and Motor Vehicle Accounts Limiting financial pressure on current Work and Motor Vehicle Account levy payers Accepting the risk of higher increases in the future for Work and Motor Vehicle Accounts, all else being equal	Limiting financial pressure on current levy payers Accepting the risk of: • higher levy increases in the future for all the Accounts, all else being equal • running the Earners' Account down below the 100 per cent funding ratio target
Pros	Some businesses will receive lower levies for two years, relieving some of the pressure caused by the current economic environment The Earners' Account will be less at risk for going below the 100 per cent funding ratio target	Some businesses will receive lower levies for three years, relieving more of the pressure caused by the current economic environment The Earners' Account will be less at risk of going below the 100 per cent funding ratio target Holding the Motor Vehicle Account now considers the current high costs on motorists	Some businesses will receive lower levies for three years, relieving some of the pressure caused by the current economic environment Holding the Earners' and Motor Vehicle Accounts now considers the current high costs on motorists and the increasing cost of living
Cons	Increasing the Motor Vehicle and Earners' Accounts will have a negative impact on the disposable income of levy payers now	Holding the Motor Vehicle Account now may require larger levy rate increases in the future impacting on disposable income for future levy payers Increasing the Earners' Account will have a negative impact on the disposable income of levy payers now	The Earners' Account will be at risk of going below the funding ratio target – necessitating larger levy rate increases in the future Holding the Motor Vehicle Account now may require larger levy rate increases in the future impacting on disposable income for future levy payers
Impact on current levy payers	More gradual increases over time spread the surplus between current and future levy payers	Using more of the surplus now benefits current levy payers	Using more of the surplus now benefits current levy payers
Impact on future levy		May require larger levy rate increases for the	May require larger levy rate increases for all

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	Option 1: ACC's recommended levy rates	Option 2: MBIE's recommended levy rates	Option 3: No increases to levy rates
payers		Work and Motor Vehicle Accounts in the future if current assumptions remain valid	the Accounts in the future if current assumptions remain valid

All three options maintain the funding ratio near the 100 per cent target

49 All three levied Accounts are currently above the 100 per cent funding ratio target. Forecast funding ratios for each levied Account under the three options are included in **Table 8** below. The forecast future levy rates and funding ratio of each levied Account are further detailed in **Appendix 3**.

Table 8: Funding ratio forecast at 2035

	Option 1: ACC's recommended levy rates	Option 2: MBIE's recommended levy rates	Option 3: No increases to levy rates
Work Account	**110.9%**	**110.2%**	**110.2%**
Earners' Account	**100.8%**	**100.8%**	**91.2%**
Motor Vehicle Account	**107.2%**	**97.9%**	**97.9%**

50 Each of the levied Accounts has both shared and distinct drivers affecting the rates that have been recommended by ACC and MBIE, which are outlined in the next sections.

The Work Account is in a relatively strong position

51 ACC's recommended average Work Account levy rates align with the FPS, initially decreasing the average levy rate to $0.63 per $100 of payroll in 2022/23, and gradually increasing to $0.67 over three years. This prioritises a smooth running down of surpluses and gradual increase in levy rates.

52 MBIE considers there is good reason to consider holding ACC's recommended average 2022/23 levy rate for the 2023/24 and 2024/25 levy years, as:

- the funding ratio is expected to remain above 100 per cent over the next 10 years, and at 131 per cent as at June 2021, is substantially higher than the other levied Accounts
- although holding the Work Account at the lower levy rate for all three years would necessitate larger levy increases in the following years, all else being equal, MBIE considers this a lower priority in comparison to reducing cost pressures for business
- the Work Account cost drivers are more certain and understood.

53 As the funding position is wound down, expected cost increases will be offset to a lesser extent. This means that levy rates will need to be increased at some point beyond the next levy round, if forecast claims experience eventuates. Given this risk, MBIE did not recommend an even larger levy reduction in this levy round; this can be reassessed at the next levy round.

54 There was support among submitters (60 per cent positive) for a decrease in the Work Account levy, with many seeing it as a significant cost to their business.

The Earners' Account is facing pressures

55 Cost pressures in the Earners' Account mean that it causes the most concern to ACC and MBIE, with poorer rehabilitation performance, a higher than expected numbers of sensitive claims, and higher expected average cost of payments for serious injury care claims.

56 Under the FPS, levy rate increases are capped at five per cent to avoid large increases for levy payers. ACC's calculated Earners' Account levy rate without capping would be $1.46 for 2022/23, meaning that both ACC and MBIE's recommended levy rates are well below the expected cost of new injuries. Maintaining the current Earners' Account levy rate for the next three years is forecast to result in the 2024/25 levy rate being 26 per cent below the expected cost of new injuries, compared to ACC and MBIE's recommended levy rates, which are forecast to reduce this gap to 15 per cent, reducing the burden on future levy payers.

57 MBIE's actuary considered several levy rate scenarios, including a 10 per cent increase in costs from 2022 onwards. A 10 per cent increase in costs saw the Earners' Account drop even further below the funding ratio target, demonstrating the greater risk of maintaining the current levy rate for the Earners' Account. This reinforces MBIE and ACC's view that the Earners' Account is the account that presents the most solvency risk, and therefore a cautious approach to setting its levy rates is preferable.

58 The option to maintain the current Earners' Account levy rate for the next three years prioritises short-term levy rate stability for current levy payers. It is expected to significantly increase the likelihood that higher levy rate increases are necessary in the future.

59 Most submitters (60 per cent) disagreed with ACC's recommended increase to the average Earners' levy rates, some expressing concern with the impact that this increase may have on individuals struggling with rising costs of living.

The Motor Vehicle Account has a relatively high solvency but is facing pressure from increasing costs

60 ACC's recommendations follow the FPS, and it considers the increases are reasonable in the context of price growth over an eight year period, given the average Motor Vehicle Account levy rate has not changed since July 2017.

61 ACC notes that the gap between the levy rates and the new year claim costs is important, as this determines the level of growth in levy rates that motorists will have to absorb over time. At present the levy rates cover 57 per cent of the true cost of claims, and if levy rates are held this will drop to just over 50 per cent in 2025.

62 On current trends this gap will have to close over time, and this increased under-levying of new year claim costs raises the risk of larger increases in future levies. This is a particular risk as the Motor Vehicle Account has a significant proportion of long-term claims, increasing its susceptibility to volatility in economic and market conditions.

63 MBIE considers that there is scope for maintaining the current average Motor Vehicle Account levy rate for the 2022/23 – 2024/25 period. If the current levy rate is maintained for the next three years, the Motor Vehicle Account is projected to dip below the 100 per cent funding ratio target over the ten-year funding horizon (97.9 per cent in 2035). However, unlike the Earners' Account, which is projected to fall below the 100 per cent target by 2026, MBIE considers there is sufficient time to correct any imbalance through the next levy round.

64 Most submitters (84 per cent) disagreed with ACC's recommended increase to the average Motor Vehicle Account levy rate. ACC noted that over half of this feedback came from motorcyclists. Motorcyclists pay the highest motor vehicle levy, yet only contribute 27 per cent towards their cost of injury with the remaining subsidised by other road users (approximately $20 per vehicle).

65 Another strong theme from the feedback was whether the proposed subsidy of electric vehicles (57 per cent in 2022/23, compared to other non-petrol passenger vehicles) was fair. I consider that there is sufficient time between now and the next levy round for ACC and MBIE to work together with the Ministry of Transport to design an appropriate levy solution to adapt to the changing nature of motorised transport. Maintaining the subsidy is consistent with our Manifesto commitment to accelerate uptake of electric and other low emission vehicles.

66 The Motor Vehicle Account levy rate is comprised of two parts, a petrol levy which vehicle owners pay at the pump and a registration levy based on vehicle type. Petrol vehicle owners currently pay a petrol levy of 6 cents per litre. Considering the current elevated cost of petrol, I consider the petrol levy should not be increased for this levy round.

I am recommending Cabinet considers ACC and MBIE's recommended levy rates for 2022/23, 2023/24, and 2024/25, alongside a decrease to the average levy rate for the Work Account and maintaining current average levy rates for the Earners' and Motor Vehicle Accounts

67 I have considered the costs and benefits of each and consider that there is no clear preferred option. Each option prioritises different outcomes. Therefore, I propose that Cabinet considers all three options and decides which outcomes we should prioritise.

Levy-related technical policy proposals

Changes to specific Classification Units

68 To determine the base Work levy rate paid by businesses, every business is allocated to a Classification Unit (CU) alongside other businesses that carry out similar activities, and each CU is grouped into a Levy Risk Group (LRG) based on the injury risk profile of the businesses within them. Businesses allocated to CUs within the same LRG pay the same base Work levy rate, to reflect that they share similar injury risk profiles.

69 I am proposing several changes to specific CUs to ensure businesses pay Work levies that accurately reflect the level of risk involved in their activities. These changes are outlined in **Table 9** below.

Table 9: Proposed changes to CUs

Proposed change	Reason for change
Simplifying CUs relating to retail and wholesale trade	
Group all retail businesses (both store-based and non-store based) into different CUs based on the products they sell…	…to reflect the level of risk in handling different types of products.
Remove the distinction between commission-based retail and wholesale businesses from CUs…	…to simplify the classification of these businesses, and to reflect that they share a similar injury risk profile.
Changing the way cricket players are classified	
Group all cricket professionals (both domestic and international) into the same CU…	…allowing the CU for community cricket organisations to move to a lower risk Levy Risk Group that better reflects their injury risk profile.
Removing inconsistencies with the way prime contractors are classified	
A number of changes to CUs to allow prime contractors across the construction sector to pay the same levy rate…	…to reflect that they do not directly employ trades professionals.

70 ACC received a total of 33 public submissions relating to these proposals, all of which were supportive, indicating that businesses welcome the proposed changes.

71 These proposals, the impact that they would have on the Work levy rates paid by businesses, and the public submissions relating to them, are further detailed in **Appendix 5.**

72 These proposals would come into effect on 1 April 2022 in line with the Work levy rates.

Changes to the rate of credit interest payable on provisional Work levies

73 For each levy year, ACC issues businesses a provisional invoice with an estimated Work levy, and refunds or credits businesses if the provisional Work levy is more than $20 higher than the final Work levy invoice. Credit interest is applied if the provisional Work levy is $1000 or more than the final Work levy invoice.

74 The current credit interest rate is six per cent. Given current low interest rates in New Zealand, this rate is no longer representative of the wider market.

75 I am proposing to change the rate of credit interest to 2.21 per cent[3] for the levy years 2022/23, 2023/24, and 2024/25, to align with the current three-year Government Bond Rate. Legislation requires that a prescribed credit interest rate is fixed for the levy period. This rate would be reviewed again in 2024, before the next levy period.

76 ACC received a total of 12 public submissions relating to this proposal, of which 83 per cent were supportive.

77 This proposed change would take effect from 1 April 2022.

Updating maximum and minimum liable earnings

78 I propose to update the maximum and minimum liable earnings to reflect movement in incomes.

79 For the self-employed, the maximum liable earnings caps the Earners' and Work levy they must pay each year by setting a ceiling on the amount of liable earnings that attract levies. For employees, the maximum liable earnings caps the amount of Work levy their employer must pay for them and the amount of Earners' levy that must be deducted from their wages. The amounts are set based on Statistics New Zealand's Labour Cost Index (LCI) and are linked to the maximum income for weekly compensation calculations.

80 Minimum liable earnings apply only to the Work levy and to self-employed people working more than 30 hours a week on average (full-time). If a self-employed person earns less than the minimum liable earnings, they will be levied as if they had earned the minimum amount to ensure they are still eligible for weekly compensation at that level if they have an accident and are unable to work. This amount is set based on the minimum wage and is linked to the minimum amount of income used to calculate weekly compensation paid to full-time self-employed people. The proposed minimum liable earnings figure is based on the current minimum wage.

81 Of the 48 public submissions ACC received relating to this proposal, 65 per cent opposed the proposal.

82 **Table 10** below sets out my proposed changes to maximum and minimum liable earnings.

Table 10: Proposed maximum and minimum liable earnings

	From (current amount)	Proposed for 2022-2023 levy period	Proposed for 2023-2024 levy period	Proposed for 2024-2025 levy period
Maximum for everyone	$130,911	$136,544	$139,384	$142,283
Minimum for everyone	$36,816	$42,465	$43,349	$44,250

[3] Current 3-year Government Bond Rate as at 31 October 2021.

Changes to the Experience Rating Programme

83 The Experience Rating Programme (ER) adjusts the Work levy paid by medium and large businesses that have paid more than $10,000 in annual Work levies in each of the last three years. The Work levy is adjusted through a loading or discount, based on how a business' claims history compares to that of other businesses in the same LRG over the prior three years. ER ensures that businesses with poor workplace safety records compared to their peers contribute more to the Work Account than businesses with good workplace safety records.

Increasing the maximum Work levy loading through Experience Rating

84 Currently, businesses in ER may receive Work levy discounts of up to 50 per cent or a loading of up to 75 per cent. I am proposing to increase the maximum Work levy loading from 75 per cent to 100 per cent.

85 Increasing the maximum Work levy loading for businesses with significantly poorer workplace safety records will encourage them to enhance workplace safety and make the levy more fairly reflect the costs they impose.

86 This proposal would result in approximately 14 per cent of the 15,000 businesses in ER paying a higher Work levy. However, only one per cent would have an increase of greater than 10 per cent[4]. Most of this impact will be seen across ER, with very few businesses moving to the new maximum loadings of 80, 90, or 100 per cent.

87 ACC received a total of 44 public submissions relating to this proposal, of which 57 per cent were supportive.

88 The impact that this proposal would have on the Work levy rates paid by businesses is detailed in the Regulatory Impact Statement attached as **Appendix 6.**

Increasing the impact of a fatal injury in Experience Rating

89 Currently, a business in ER may receive the same Work levy adjustment for a fatal workplace injury claim as it receives for a non-fatal workplace injury claim of over $500 that does not result in any weekly compensation.

90 I am proposing that Cabinet agree to ACC's recommendation to impose a 20 per cent Work levy loading on businesses in ER in the first year after a fatal workplace injury, followed by a 10 per cent loading in the second year.

91 This proposal would align the treatment of a fatal workplace injury in ER with the approach taken in the No Claims Discount Programme for small businesses, and would ensure that businesses receive a Work levy loading that is proportionate to their size.

[4] The final loading or discount given to businesses in ER is rounded to the nearest 10 per cent by the use of bands, and the one per cent of businesses are those moving up by more than one band.

92 ACC received a total of 45 submissions relating to the proposal to increase the impact of a fatal injury in ER, of which 47 per cent were supportive. Several submitters noted that the proposal could be punitive for large businesses so may blur the responsibilities of ACC and WorkSafe, as WorkSafe is considered the more appropriate body to regulate workplace safety. However, very few businesses would receive a financial penalty from both ACC and WorkSafe for a fatality (this would only occur when the business has failed in its duty of care under the Health and Safety at Work Act 2015).

93 I am also proposing that MBIE works with ACC and WorkSafe to better communicate the impact of the ER system (encompassing ER and the No Claims Discount Programme) on the levies payable by businesses, to ensure these changes further incentivise them to work to reduce the incidence of workplace fatalities. Confidential advice to Government [redacted]

Financial Implications

94 **Tables 11, 12 and 13** below summarise the expected changes to OBEGAL (operating balance before gains and losses) due to the change in levy rates. The total levy revenue is expected to decrease in all forecast years under the proposed levy rates when compared to the rates used in BEFU2021. This impact, along with the consequential changes to the URL, results in annual decreases to OBEGAL between $38m-$97m over the forecast period for ACC's recommended levy rates, a total OBEGAL decrease of $91m-$408m per annum for MBIE's recommended levy rates, and a total OBEGAL decrease of $303m-$760m per annum if there are no increases to levy rates.

Table 11: Forecast impact on OBEGAL due to ACC's recommended levy rate changes

	2021/22	2022/23	2023/24	2024/25
Change in Levy revenue due to rate movement	($9.7)m	($43.8)m	($53.5)m	($75.9)m
URL movement due to change in levy rates	($32.2)m	$5.6m	($19.3)m	($21.6)m
OBEGAL impact due to levy rate movement	($41.9)m	($38.2)m	($72.8)m	($97.5)m

Table 12: Forecast impact on OBEGAL due to MBIE's recommended levy rate changes

	2021/22	2022/23	2023/24	2024/25
Change in Levy revenue due to rate movement	($9.7)m	($67.2)m	($137.8)m	($259.6)m
URL movement due to change in levy rates	($32.2)m	(24.2)m	($55.1)m	($149.0)m
OBEGAL impact due to levy rate movement	($41.9)m	($91.4)m	($192.9)m	($408.6)m

Table 13: Forecast impact on OBEGAL due to a decrease to the average levy rate for the Work Account and maintaining current average levy rates for the Earners' and Motor Vehicle Accounts

	2021/22	2022/23	2023/24	2024/25
Change in Levy revenue due to rate movement	($34.9)m	($195.7)m	($380.4)m	($598.4)m
URL movement due to change in levy rates	($107.7)m	(107.7)m	($146.9)m	($161.9)m
OBEGAL impact due to levy rate movement	($142.6)m	($303.4)m	($527.3)m	($760.3)m

Legislative Implications

95 Changes to the Accident Compensation (Work Account Levies) Regulations, the Accident Compensation (Earners' Levy) Regulations, and the Accident Compensation (Experience Rating) Regulations 2019 are required to be made prior to 1 April 2022. Changes to the Accident Compensation (Motor Vehicle Account Levies) Regulations are required to be made prior to 1 July 2022.

Impact Analysis

Regulatory Impact Statement

96 A Stage 2 Cost Recovery Impact Statement has been completed in relation to ACC levy rates, and a Regulatory Impact Statement has been completed in relation to proposed changes to the Experience Rating Programme. These are attached as **Appendices 1 and 6**.

97 MBIE's Regulatory Impact Analysis Review Panel has reviewed the attached Cost Recovery Impact Statement prepared by MBIE. The Panel considers that the information and analysis summarised in the Impact Statement **meets** the criteria necessary for Ministers to make informed decisions on the proposals in this paper.

98 MBIE's Regulatory Impact Analysis Review Panel has reviewed the Regulatory Impact Statement *'Experience Rating – increase loading and add fatality modifier'* prepared by MBIE. The Panel considers that this RIS **partially meets** the criteria necessary for Ministers to make informed decisions on the proposals in this paper. The key reason for this judgement are the limited options considered for the maximum experience rating loading coupled with limited statistical analysis presented on the equity impacts of each option. This limits confidence that the preferred maximum experienced rating loading is the best possible solution.

99 The Treasury's Regulatory Impact Analysis team has determined that the proposals relating to Classification Unit and Credit Interest are exempt from the requirement to provide a Regulatory Impact Statement on the grounds that they have no or only minor impacts on businesses, individuals, and not-for-profit entities.

Climate implications of policy assessment

100 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

101 ACC levies are paid by motorists, earners and businesses (including the self-employed). **Table 14** below demonstrates the financial impact of each of the three levy rate options on various households and businesses in 2024/25, compared to the financial impact of the current levy rates in 2021/22.

Table 14: Annual impact of each levy rate option on different households and businesses in 2024/25[5]

Household/business	Current 2021/22 levy	Option 1: ACC's recommended 2024/25 levy	Option 2: MBIE's recommended 2024/25 levy	Option 3: Average 2024/25 levy after no levy increases
Family with a household income of $129,000 and three vehicles (2 x petrol driven cars, 1 x diesel driven ute)	$1,891	$2,195	$2,125	$1,893
Family with a household income of $85,000 and two vehicles (1 x diesel driven car, 1 x diesel driven ute)	$1,254	$1,461	$1,412	$1,259
A retired couple with one vehicle (1 x petrol/non-petrol vehicle)	$105	$123	$101	$101
Single parent with an income of $31,000 (approx. 30hrs/week on minimum wage) and 1 car	$480	$553	$532	$476
Family with a household income of $24,300 (median income for Pacific peoples) and one petrol car	$399	$460	$439	$395
Small house construction business with 8 employees each earning $70,000 and a small fleet (3x diesel driven ute/van, 3x petrol driven car)	$10,028	$9,238	$8,605	$8,605
Medium sized architecture business with 35 employees (average income of $81,000 each) and 5 petrol driven cars	$4,492	$4,015	$3,624	$3,624

5 Assumes no change in liable earnings for earners and businesses over the three years, average petrol consumption remains constant over three years. Risk relativities are updated for a change in claims experience since the 2018 consultation.

Treaty of Waitangi Implications

102 The Crown recognises and complies with the principles of the Treaty of Waitangi in implementing this policy.

Human Rights

103 The proposals contained in this paper are unlikely to raise issues of consistency under the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

104 Section 331 of the AC Act requires ACC to undertake public consultation on proposed levy rates for each of its levied Accounts, prior to recommending rates to the Minister for ACC. Public consultation was undertaken from 1 September 2021 to 5 October 2021. ACC received 1,273 submissions, which included representations from major industry groups and representative groups. A report on the submissions received is attached as **Appendix 7.**

105 Following public consultation, the ACC Board provided its levy rate recommendations to me on 29 October 2021. These have been posted on ACC's website and publicly notified in the New Zealand Gazette as required.

106 The following government agencies were provided with a copy of this Cabinet paper and an opportunity to comment: Accident Compensation Corporation, Ministry of Business, Innovation and Employment, the Treasury, Inland Revenue, Ministry of Social Development, Waka Kotahi NZ Transport Agency, WorkSafe New Zealand, New Zealand Customs Service, Ministry for Women, Ministry for Pacific Peoples, Te Puni Kōkiri, Ministry of Justice, Ministry of Transport, and Ministry of Health.

107 The Department of Prime Minister and Cabinet have been informed of this paper.

Treasury comment

108 The Treasury supports MBIE's recommended option. This option gives more weight to the living standards of levy payers under current economic conditions than the Funding Policy Statement, that ACC must give effect to, allows. Further, it does not create significant risk for the funding ratio of the levied accounts over the next ten years.

Publication of ACC's recommended levy rates and pricing report

109 ACC has published a summary of its levy recommendations in the New Zealand Gazette and major metropolitan newspapers as required by legislation. ACC is also required to publish a report detailing the effect the prescribed levy rates are expected to have on the levied Accounts when the regulations prescribing the levy rates are made by Cabinet[6].

Communications

110 I intend to announce the 2022/23, 2023/24, and 2024/25 levy rates in December 2021, following Cabinet agreement.

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[6] Section 331 of the Accident Compensation Act 2001.

Proactive Release

111 This paper will be made available to the public on MBIE's website, subject to appropriate redactions.

112 ACC is required by section 331 of the AC Act to publish a report detailing the effect the prescribed levy rates are expected to have on the Accounts at the time regulations prescribing the rates of levies are made by Cabinet.

RECOMMENDATIONS

I recommend that the Cabinet Economic Development Committee:

Average 2022/23, 2023/24, and 2024/25 levy rates

1. **Agree** to

EITHER

	Current 2021/22 levy rates	ACC's Recommended Levy Rates		
		2022/23	2023/24	2024/25
Work Account	**$0.67** per $100 of payroll	$0.63	$0.65	$0.67
Earners' Account	**$1.21** per $100 wages	$1.27	$1.33	$1.39
Motor Vehicle Account	**$113.94** per vehicle	$120.20	$128.83	$138.08

1.1 set the average 2022/23, 2023/24, and 2024/25 levy rates for the Work, Earners', and Motor Vehicle Accounts in accordance with ACC's recommended levy rates;

OR

1.2 set the average 2022/23, 2023/24, and 2024/25 levy rates for the Work, Earners', and Motor Vehicle Accounts in accordance with MBIE's recommended levy rates (Treasury preferred option);

	Current 2021/22 levy rates	MBIE's Recommended Levy Rates		
		2022/23	2023/24	2024/25
Work Account	**$0.67** per $100 of payroll	$0.63	$0.63	$0.63
Earners' Account	**$1.21** per $100 wages	$1.27	$1.33	$1.39
Motor Vehicle Account	**$113.94** per vehicle	$113.94	$113.94	$113.94

OR

1.3 set the average 2022/23, 2023/24, and 2024/25 levy rates for the Work, Earners', and Motor Vehicle Accounts so that there is a decrease to the average levy rate for the Work Account and current average levy rates for the Earners' and Motor Vehicle Accounts are maintained;

	Current 2021/22 levy rates	**No Increases to Levy Rates**		
		2022/23	**2023/24**	**2024/25**
Work Account	**$0.67** per $100 of payroll	$0.63	$0.63	$0.63
Earners' Account	**$1.21** per $100 wages	$1.21	$1.21	$1.21
Motor Vehicle Account	**$113.94** per vehicle	$113.94	$113.94	$113.94

2. **Agree** the petrol levy will remain 6 cents per litre;

Redistribution of levy rates within Work and Motor Vehicle Accounts

3. **Note** that individual rates paid by levy payers are a combination of changes to the average rate, any risk adjustments to industry Classification Units and vehicle classifications;

4. **Agree** that levy rates will be redistributed over the three year levy period within the Work Account and Motor Vehicle Account according to risk ratings;

Effect of the levy rate decision

5. **Note** that in accordance with section 331 of the Accident Compensation Act 2001, ACC must publish, at the time regulations prescribing the rates of levies are made, a report detailing the effect the prescribed levy rates have on the relevant Accounts;

Changes to specific Classification Units

6. **Agree** to the changes to Classification Units and Levy Risk Groups specified in **Appendix 5**, from 1 April 2022**;**

Changing the rate of credit interest payable on provisional Work levies

7. **Agree** to update the rate of credit interest payable on provisional Work levies to 2.21 per cent for the levy years 2022/23, 2023/24, and 2024/25;

Updating maximum and minimum liable earnings

8. **Agree** to the following changes to the maximum and minimum liable earnings;

	From (current amount)	Proposed for 2022-2023 levy period	Proposed for 2023-2024 levy period	Proposed for 2024-2025 levy period
Maximum for everyone	$130,911	$136,544	$139,384	$142,283
Minimum for everyone	$36,816	$42,465	$43,349	$44,250

Changes to the Experience Rating Programme

9. **Agree** to increase the maximum loading that can be applied to businesses Work levies through the Experience Rating Programme, from 75 per cent to 100 per cent, from 1 April 2022;

10. **Agree** to impose a flat 20 per cent Work levy loading in the first year after a fatal injury followed by a 10 per cent loading in the second year, to align to the current treatment of workplace fatalities in the No Claims Discount programme (for small businesses), as recommended by ACC, from 1 April 2023;

11. **Note** that I am proposing that MBIE works with ACC and WorkSafe to better communicate the impact of the Experience Rating system (encompassing ER and the No Claims Discount Programme) on the levies payable by businesses, to ensure the above change further incentivises them to work to reduce the incidence of workplace fatalities, Confidential advice to Government

Drafting and decisions

12. **Authorise** the Minister for ACC to make decisions on minor or technical matters that are consistent with the policy outlined in these recommendations;

13. **Invite** the Minister for ACC to issue drafting instructions to Parliamentary Counsel Office to implement these decisions.

Authorised for lodgement

Hon Carmel Sepuloni

Minister for ACC

Appendix 1: Cost Recovery Impact Statement: 2022/23 - 2024/25 ACC levies

Stage 2 Cost Recovery Impact Statement: 2022/23 – 2024/25 ACC levies

Agency Disclosure Statement

This Cost Recovery Impact Statement has been prepared by the Ministry of Business, Innovation and Employment (MBIE). It provides an analysis of options for setting the 2022/23, 2023/24, and 2024/25 levy rates for the Accident Compensation Corporation's (ACC) Motor Vehicle Account[1], Earners' Account[2] and Work Account[3] under the full funding model of the Accident Compensation Scheme (AC Scheme).

ACC levies are now reviewed and set every three years. ACC levies were last reviewed in 2018 for 2019/20 and 2020/21, when they were previously required to be set every two years, and were held in 2020 for 2021/22 due to the COVID-19 pandemic. When set, the levy rates for the Earners' Account and the Work Account will take effect from 1 April 2022, and the levy rates for the Motor Vehicle Account will take effect from 1 July 2022.

Accident compensation is an uncertain and long-term activity with liabilities that stretch over decades. The AC Scheme's full funding model requires ACC to estimate how much money is needed to cover the lifetime costs of injuries that are expected to occur in the relevant levy year (new year claims costs).

The proposed levy changes for each levy year are set against economic assumptions (such as forecast discount rates, investment returns, and inflation) and claims assumptions (such as forecast volume, duration, and cost of new year claims) in the levied Accounts for each levy year. Uncertainties in these economic and claims assumptions include: changes in the wider economic environment, fluctuations in claim volumes, and variations from historical claims experience. Variations from these assumptions have the potential to positively or negatively impact the overall funding position of the AC Scheme.

ACC levies must also be consistent with the principles of financial responsibility set out in the Accident Compensation Act 2001 (the AC Act) and the Government's Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts (FPS). In addition to fully funding the levied Accounts, a funding adjustment is necessary where the expected cost of claims incurred prior to the levy period differs to what ACC previously projected. This means that the costs collected through levy rates may be higher or lower than necessary to cover the projected new year claims costs.

ACC levies provide third-party funding to meet the cost of claims in relation to injuries covered under the AC Act, and provide funding for initiatives to prevent injuries from happening.

MBIE has engaged independent actuary Deloitte to provide quality assurance of ACC's actuarial forecasts, assumptions, and recommendations. The review is a test for reasonableness and is not intended to provide an independent estimate of levy rates.

In Deloitte's opinion, *"ACC has applied the funding policy statement appropriately and the proposed levy rates are reasonable. ACC's levy rate proposals are consistent with the financial responsibility principles set out in Section 166A of the Accident Compensation Act*

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[1] Pays for claims relating to accidents on public roads involving moving vehicles.

[2] Pays for claims relating to earners' non-work injuries (not including motor vehicle and treatment injuries).

[3] Pays for claims relating to work-related injuries.

2001, which form the basis of the funding policy statement. If prescribed, the proposed levy rates will increase the likelihood that the scheme will continue to be sufficiently funded and will support a sustainable scheme."

"We note that current levy rates and ACC's proposed levy rates are lower than the cost of new year claims. This is justifiable in the short-term as the levied accounts are above the target funding level. However, we expect that levy rates will need to increase over time in order for each account to remain sufficiently funded and to ensure that the scheme is sustainable. If levy rates remain below the cost of new year claims for an extended period of time, there is an increased risk of intergenerational inequity, as the cost burden will be shifted to future levy-payers."

Deloitte also concluded that *"As the annual levy revenue for each account is small compared to its assets, the proposed changes in levy rates have only a small impact on an account's funding position in the short-term. Maintaining levy rates at their current levels for the 2022/25 levy period will have minimal impact on ACC's ability to pay claims. However, it can be expected to necessitate larger increases in the future, all else being equal."*

Hayden Fenwick

Manager, Accident Compensation Policy

Ministry of Business, Innovation and Employment 17 November 2021

Executive summary

This Cost Recovery Impact Statement analyses three options for setting average levy rates for the Motor Vehicle, Earners', and Work Accounts for 2022/23, 2023/24, and 2024/25.

Option A: ACC's recommended levy rates

- Increase the average Motor Vehicle Account levy rate from $113.94 per vehicle to $120.20 in 2022/23, $128.83 in 2023/24, and $138.08 in 2024/25
- Increase the Earners' Account levy rate from $1.21 per $100 of liable earnings to $1.27 in 2022/23, $1.33 in 2023/24, and $1.39 in 2024/25
- Decrease the average Work Account levy rate from $0.67 per $100 of liable earnings to $0.63 in 2022/23, then increase to $0.65 in 2023/24, and $0.67 in 2024/25

Option B: the Status Quo

- Maintain current 2021/22 average Motor Vehicle Account levy rate at $113.94 per vehicle for 2022/23, 2023/24, and 2024/25
- Maintain current 2021/22 Earners' Account levy rate at $1.21 per $100 of liable earnings for 2022/23, 2023/24, and 2024/25
- Maintain current 2021/22 average Work Account levy rate at $0.67 per $100 of liable earnings for 2022/23, 2023/24, and 2024/25

Option C: MBIE's proposed levy rates

- Maintain the current 2021/22 average Motor Vehicle Account levy rate at $113.94 per vehicle for 2022/23, 2023/24, and 2024/25
- Increase the Earners' Account levy rate from $1.21 per $100 of liable earnings to $1.27 in 2022/23, $1.33 in 2023/24, and $1.39 in 2024/25, as recommended by ACC
- Decrease the average Work Account levy rate from $0.67 per $100 of liable earnings to $0.63 in 2022/23 as recommended by ACC, then maintain this decreased rate for 2023/24 and 2024/25

ACC's recommended and MBIE's proposed levy rates differ because ACC must recommend levy rates that meet the specific requirements of the FPS, while MBIE's proposed levy rates are not constrained by these specific requirements, but should be consistent with the broader principles of financial responsibility set out in section 166A of the AC Act, and take the wider public interest into account.

These levy rate options have been assessed against the following high level objectives:

- meeting the life time costs of claims each year
- correcting for any funding surplus or deficit
- avoiding large changes in levies
- public interest considerations.

All options meet the requirements of the Government's full funding model, which requires ACC to collect sufficient funds to meet the lifetime cost of injuries by offsetting the Outstanding Claims Liability (OCL) with a sufficient level of assets. Our assessment concludes that option C rates most highly against the full criteria.

Option C uses more of the accumulated funding surplus to move towards the FPS's target funding ratio of 100%[4] more quickly than option A, while continuing to meet the lifetime costs of claims and maintaining sufficient funding for each levied Account. While there is a greater risk of levy rates increasing in future levy rounds in comparison with option A, we consider this risk is outweighed by the benefit of using more of the funding surplus to reduce the burden on current levy payers.

We have not applied any weighting to certain criteria when undertaking our initial assessment, however, from MBIE's perspective there is a case for greater weight to be given to returning the levied Accounts to the target funding ratio of 100%, and less weight to be given to reducing the risk of future levy rate increases. We consider this approach is also in the public interest as it reduces the amount of money that is taken from levy payers now, who are then able to use it for other purposes. It does risk burdening future levy payers, but this is subject to uncertainty.

Conversely, ACC's recommendation (based on the FPS) appears to give greater weight to levy stability over time, which involves using the surplus more slowly and holding levy rates above the 100% target funding ratio for longer. This risks current levy payers having to pay more than is necessary, but reduces the risk that future levy payers will have to pay more in the future.

Status quo

The AC Scheme covers the cost of personal injuries in New Zealand

The AC Scheme provides entitlements that cover the cost of personal injuries in New Zealand. ACC pays for these entitlements from five separate Accounts, three of which are directly funded by levies. The collection of levies ensures that the AC Scheme remains financially sustainable now and for future generations.

ACC collects levies from motorists, earners, and employers

ACC's Motor Vehicle, Earners', and Work Accounts are funded by levies, while the Non-Earners' Account is funded through a Government appropriation, and the Treatment Injury Account is funded through funds from the Earners' Account and Non-earners' Account. Table 1 below provides a summary of who pays levies to each of the levied Accounts, and the types of injuries the Accounts fund.

Table 1: Summary of ACC's levied Accounts

Account	Funded by…	Pays for…
Motor Vehicle	Levies on motor vehicle owners through registration fees and users at the petrol pump	Accidents on public roads involving moving vehicles
Earners'	Levies on earners through PAYE (or invoiced directly by ACC for self-employed people)	Earners' non-work injuries (not including motor vehicle and treatment injuries)
Work	Levies on employers and the self-employed (based on information from Inland Revenue)	Work-related injuries
Non-earners'	Government appropriation	Non-earners' injuries (not including motor vehicle and treatment injuries)
Treatment Injury	Levies from the Earners' Account and Government appropriation from the Non-earners' Account	People injured as a result of medical treatment

4 The funding ratio is calculated by dividing ACC's assets by liabilities. A funding ratio of 100% means that the assets are equal to the liabilities.

Current ACC levy rates

The current levy rates for the Motor Vehicle, Earners', and Work Accounts were set in 2018 for the 2019/20 and 2020/21 years, and were maintained in 2020 for the year 2021/22, due to the COVID-19 pandemic limiting the ability for ACC to carry out public consultation. The current levy rates are shown in table 2 below.

Table 2: Current 2021/22 levy rates

Account	Average 2021/22 levy rate
Motor Vehicle	$113.94 Per motor vehicle
Earners'	$1.21 Per $100 liable earnings
Work	$0.67 Per $100 liable earnings

The Work and Motor Vehicle levies are average rates that levy payers would meet if ACC charged a flat rate. However, the actual rate paid by employers, self-employed and motorists differs from the average rate. The actual Work levy rate paid by each business may be determined by its claims history, and the level of risk involved in its activities. The actual Motor Vehicle levy is paid by motorists through a levy on petrol and as part of the vehicle license fee, which varies for different classes of vehicle based on the risk of injury in the event of an accident.

The AC Act provides the authority to collect levies

ACC is authorised to collect levies for the three levied Accounts under the AC Act. The levy rates are set in the Accident Compensation (Motor Vehicle Levy) Regulations 2019, the Accident Compensation (Earners' Levy) Regulations 2019, and the Accident Compensation (Work Levy) Regulations 2019.

ACC levy rates are set every three years

Levy rates for the Motor Vehicle, Earners', and Work Accounts are reviewed and set every three years, to ensure they reflect the expected underlying cost of claims and operating expenses. This is the first levy round in which levy rates will be set for the next three years, following Cabinet's decision to set levy rates every three years instead of every two years (DEV-19-MIN-0348). The process for reviewing and setting levy rates is detailed in the following paragraph.

The levy setting process

When setting ACC levy rates, the Government is required by section 166A of the AC Act to ensure that the costs of all claims under the levied Accounts are fully funded, and in doing so to have regard for the following principles of financial responsibility:

- the levies for each Account should **meet the lifetime cost of claims** in relation to injuries that occurred in the year that the levies cover (these costs are referred to as the new year claims costs)
- **under and over funding should be corrected** by setting levies at an appropriate rate for subsequent years (this is reflected in the levy rates as a Funding Adjustment)
- **large changes in levy rates should be avoided**.

Additionally, the Government is also required under the AC Act to **have regard for public interest**.

ACC is required by section 331 of the AC Act to publicly consult on and subsequently recommend levy rates to the Minister for ACC based on the FPS, which is founded on the principles of financial responsibility. The FPS requires that:

- the average levy rate must be based on the expected lifetime costs of claims over the levy period
- each levied Account has a target funding ratio of 100%
- levy rates must include an adjustment to return an Account's funding ratio to the 100% target smoothly, over a ten year period
- annual increases to the average levy rate must not exceed 5% (in addition to inflation adjustments for the Motor Vehicle Account)
- the four requirements above must be repeated for each levy year in the period for which ACC is recommending levies.

MBIE provides independent levy rate advice to the Minister for ACC. To help inform this advice, MBIE appoints an independent actuary to provide quality assurance of ACC's actuarial forecasts, assumptions, and recommendations.

The Government is not required to accept ACC's recommended levy rates, and does not have to follow the requirements of the FPS. The Government may choose to maintain current levy rates or choose alternative levy rate options if these are determined to be consistent with the principles of financial responsibility, and have taken public interest into consideration.

Cost Recovery Principles and Objectives

The review and setting process for ACC levy rates is underpinned by the cost recovery principles outlined in table 3 below.

Table 3: Cost recovery principles for setting ACC levy rates[5]

Principle	Description
Authority	The AC Act and the Regulations provide authority to fund entitlements provided under the AC Act through levies.
Financial responsibility	Average levy rates for each of ACC's levied Accounts must be reviewed by ACC under the requirements of the FPS, and set with regard to the principles of financial responsibility set out in section 166A of the AC Act. All levied accounts must be fully funded, funding adjustments must be made to correct surplus or deficits, and large changes in levies are to be avoided.
Transparency and Consultation	ACC has undertaken public consultation on its proposed levy rates (which align with the FPS), as required by the AC Act. Information on the underlying cost drivers of ACC's recommended levy rates, and the impact these would have on different households and businesses has been provided to inform the public in the consultation document.

[5] The AC Act and the FPS set out the principles and rules for levy setting, and therefore these are followed rather than the Treasury's *Guidelines for Setting Charges in the Public Sector* or Office of the Auditor-General's guidelines on cost recovery *Charging fees for public sector goods and services,* although they are not inconsistent.

Efficiency	Reviewing levy rates every three years ensures that they reflect the expected underlying cost of claims and operating expenses, and support efficient resource allocation. Efficiency gains through ACC's injury prevention (IP) investments and the Integrated Change Investment Portfolio (ICIP) initiatives (including investments to improve claims management and health services purchasing) are expected to reduce claims costs over the levy period. The expected benefits from IP and ICIP have been included in the assumptions used to determine ACC's recommended levy rates.
Accountability	Levies must be set by regulations approved by the Government where the usual regulatory accountability mechanisms apply.

Three levy rate options for each levied Account have been assessed against the four cost recovery objectives listed in table 4 below.

Table 4: Cost recovery objectives for setting ACC levy rates

Objective	Description
Meeting the lifetime cost of claims in each levy period	• Average levy rates meet the expected lifetime cost of claims in relation to injuries occurring in the levy period. • Ensure levy payers meet their fair share of the cost of injuries. • Ensure intergenerational equity by minimising intergenerational transfers (cross-subsidisation). • Provide accurate price signals to incentivise injury prevention.
Correcting over or under funding in previous years	• Aim to return to funding ratio target of 100% over time. • Provide confidence to ACC claimants that funds will be available to meet their treatment, rehabilitation, and compensation costs. • Return surplus funds to levy payers so ACC does not remove more money from the economy than is required.
Avoiding large changes in levies	• Provide levy stability to provide certainty to levy payers. • This includes taking account of the FPS requirement that any increase to the average levy rate for each Account must not exceed 5% for each levy year, in addition to inflation adjustments to the Motor Vehicle Account.
Public interest considerations	• Impact on the economy. • Social impact. • Impact on the Crown Accounts.

Policy Rationale: Why a user charge? And what type is most appropriate?

Collection of levies is consistent with the AC Scheme principle of community responsibility

The three levied Accounts have different levy rates to reflect the new year claims costs that will need to be paid from each Account, based on the different types of personal injuries that each Account pays for. Recovering costs from levy payers to fund the treatment, rehabilitation, compensation, and prevention of injuries that happen on public roads involving a moving vehicle, that happen to earners outside of work, or that are work-related, is consistent with the principle of community responsibility that founds the AC Scheme.

The Crown does provide funding for the Non-Earners' Account (through which part of the Treatment Injury Account is funded), through a Government appropriation.

Proposed levy rates and funding adjustment cover the full cost of claims

The proposed levy rates are intended to cover the full cost of claims arising in each levy year (new year claims costs), after making adjustments based on the funding ratio and expected IP and ICIP benefits of each levied Account. Because all levied Accounts currently have a funding ratio in excess of the 100% target, the proposed levy rates have been set below the amount required to meet the new year claims costs in each levy year. The additional amount required is made up through a funding adjustment which draws down from the surplus funds, and through the expected benefit of IP and ICIP initiatives.

The level of the proposed fee and its cost components (cost recovery model)

Three options have been considered for the Motor Vehicle, Earners', and Work levy rates for 2022/23, 2023/24, and 2024/25. These are; ACC's recommended levy rates (which ACC has publicly consulted on and align with the requirements of the FPS), the status quo (maintaining the current levy rates), and MBIE's proposed levy rates (which have been informed by the review carried out by Deloitte and public submissions).

ACC levy rates are calculated using three key components:

New Year Claims Cost**:** ACC forecasts the cost of future injuries using projected claim assumptions such as claim costs and frequencies, and economic assumptions such as discount rates and investment forecast. New Year Claims Costs include:

- weekly compensation which is earnings-related compensation
- vocational rehabilitation which can include a fitness programme, guidance on gradually returning to work, workplace equipment, and retraining if necessary
- social rehabilitation, for example accommodation and vehicle modification, equipment, attendant care, and home help
- treatment costs
- ambulance and emergency care
- operating costs, which are expenses associated with scheme operations including levy collection, claims management, and general office and equipment overheads.

New Year Cost Rate: ACC then calculates the average levy rate to pay for the New Year Claims Cost.

Funding adjustments**:** adjustments are then made based on whether the levied Accounts have a funding surplus or funding deficit for past claims, and taking account of the FPS requirement to adjust levy rates to return towards the target funding ratio of 100% over time. A negative funding adjustment reflects that an Account is above the funding ratio target, and that this excess will be returned over time. All the levied Accounts currently sit above the funding ratio target of 100%.

Other factors considered in the calculation of ACC levy rates include:

Expected benefits of IP and ICIP*,* which are ACC's injury prevention (IP) investments and Integrated Change Investment Portfolio (ICIP) initiatives (including investments to improve claims management and health services purchasing). These benefits are expected to reduce the new year claims costs for each levied Account.

Capping adjustment*,* which is only relevant to option A in the tables below (ACC's recommended levy rates). This is because ACC is required to recommend levy rates that align with the FPS, which places a 5% cap on levy increases for each levy year (in addition to inflation adjustments for the Motor Vehicle Account).

Comparison of levy rate options for each levied Account

Tables 5, 6, and 7 below compare the levy rate options for each of the levied Accounts, and outline the main components of ACC levy rates which have been described above. A more detailed breakdown of the new year cost rates for each levied Account is provided in Annex 1.

Table 5: Motor Vehicle Account levy rate[6] (per vehicle excluding GST) comparison of options

Average levy rate for each option considered	Option A: ACC's recommended levy rates			Option B: Status quo			Option C: MBIE's proposed levy rates		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
Current 2021/22 levy rate	$113.94			$113.94			$113.94		
New year cost rate	$218.58	$224.34	$231.16	$218.58	$224.34	$231.16	$218.58	$224.34	$231.16
Net benefit of IP & ICIP	-$7.76	-$8.74	-$9.47	-$7.76	-$8.74	-$9.47	-$7.76	-$8.74	-$9.47
Funding adjustment and capping adjustment	-$91.95	-$87.42	-$83.88	-$96.88	-$101.66	-$107.75	-$96.88	-$101.66	-$107.75
Proposed levy rate[7]	$120.20	$128.83	$138.08	$113.94	$113.94	$113.94	$113.94	$113.94	$113.94
Average annual change over three year period	6.6%			0%			0%		
Estimated funding ratio in 2035	107.2%			97.9%			97.9%		

[6] Note that Motor Vehicle Account levies are expressed as dollars per vehicle, while Work and Earners' levies are a percentage of earnings. Motor Vehicle Account levies should be expected to increase each year at least in line with wages.

[7] Numbers may not add due to rounding.

Table 6: Earners' Account levy rate (including Earners' portion of the Treatment Injury Account, per $100 liable earnings excluding GST) comparison of options

Average levy rate for each option considered	Option A: ACC's recommended levy rates			Option B: Status quo			Option C: MBIE's proposed levy rates		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
Current 2021/22 levy rate	$1.21			$1.21			$1.21		
New year cost rate	$1.67	$1.68	$1.69	$1.67	$1.68	$1.69	$1.67	$1.68	$1.69
Net benefit of IP & ICIP	-$0.05	-$0.05	-$0.05	-$0.05	-$0.05	-$0.05	-$0.05	-$0.05	-$0.05
Funding adjustment and capping adjustment	-$0.36	-$0.30	-$0.25	-$0.41	-$0.42	-$0.43	-$0.36	-$0.30	-$0.25
Proposed levy rate[8]	$1.27	$1.33	$1.39	$1.21	$1.21	$1.21	$1.27	$1.33	$1.39
Average annual change over three year period	4.7%			0%			4.7%		
Estimated funding ratio in 2035	100.8%			91.2%			100.8%		

[8] Numbers may not add due to rounding.

Table 7: Work Account levy rate (per $100 liable earnings excluding GST) comparison of options

Average levy rate for each option considered	Option A: ACC's recommended levy rates			Option B: Status quo			Option C: MBIE's proposed levy rates		
	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
Current 2021/22 levy rate	$0.67			$0.67			$0.67		
New year cost rate	$0.91	$0.91	$0.91	$0.91	$0.91	$0.91	$0.91	$0.91	$0.91
Net benefit of IP & ICIP	-$0.03	-$0.03	-$0.03	-$0.03	-$0.03	-$0.03	-$0.03	-$0.03	-$0.03
Funding adjustment and capping adjustment	-$0.25	-$0.23	-$0.20	-$0.21	-$0.20	-$0.20	-$0.25	-$0.24	-$0.24
Proposed levy rate[9]	$0.63	$0.65	$0.67	$0.67	$0.67	$0.67	$0.63	$0.63	$0.63
Average annual change over three year period	0%			0%			-2%		
Estimated funding ratio in 2035	110.9%			111.3%			110.2%		

A range of cost drivers influence ACC levy rates

In the 2018 levy review, ACC estimated likely future levy rates for 2022/23. The following cost drivers outlined in Table 8 below have led to increases in ACC's recommended levy rates for 2022/23, compared to those estimated in the 2018 levy review. These are broken down further in Annex 2.

Table 8: Key cost drivers for each levied Account

Driver	Work Account	Earners' Account	Motor Vehicle Account
Higher claims costs	Poorer weekly compensation performance across all accounts: more claims, longer duration of payments and higher average payments.		
	More serious injury	Higher than expected numbers of sensitive	Increases in serious

[9] Numbers may not add due to rounding.

	claims than expected.	claims. Higher expected average cost of payments for serious injury care claims (increased rehabilitation costs).	claims costs. Increases in bulk funded claim costs, including emergency care and Public Health Acute Services (PHAS).
	Increase in levy of $0.05 per $100 liable earnings.	Increase in levy of $0.27 per $100 liable earnings.	Increase in levy of $35.45.
Discount rates and forecast investment returns	Changes to discount rates and forecast reduced investment returns increased the expected cost of claims across all accounts.		
	Increase in levy of $0.10 per $100 liable earnings.	Increase in levy of $0.12 per $100 liable earnings.	Increase in levy of $52.76.
Recent Investment performance	In the last three years ACC's assets have grown more than the negative movement in liabilities from discount rate changes.		
	Reduction in levy of $0.16 per $100 liable earnings.	Reduction in levy of $0.12 per $100 liable earnings.	Reduction in levy of $58.58.
Funding Policy Changes	Cabinet's 2019 changes to the funding policy, removing some risk margins and reducing the funding target to 100% for all accounts.		
	Reduction in levy of $0.11 per $100 liable earnings.	Reduction in levy of $0.14 per $100 liable earnings.	Reduction in levy of $60.23.

Forecast total levy revenue varies between options

Table 9 below compares the forecast total revenue for each of the levied Accounts for each option that has been considered.

Table 9: Forecast total revenue for each of the levied Accounts

Option	Account	Levy year	Estimated amount levied (amount of motor vehicles/liable earnings)	Levy (per motor vehicle/ per $100 liable earnings)	Forecast revenue	Total forecast revenue
Option A: ACC's recommended levy rates	Motor Vehicle Account	2022/23	4,110,503	$120.20	$494 (m)	$1,622 (m)
		2023/24	4,185,649	$128.83	$539 (m)	
		2024/25	4,262,168	$138.08	$589 (m)	

	Earners' Account	2022/23	$1,679 (m)	$1.27	$2,132 (m)	$7,066 (m)
		2023/24	$1,768 (m)	$1.33	$2,352 (m)	
		2024/25	$1,858 (m)	$1.39	$2,583 (m)	
	Work Account	2022/23	$1,262 (m)	$0.63	$795 (m)	$2,600 (m)
		2023/24	$1,333 (m)	$0.65	$866 (m)	
		2024/25	$1,401 (m)	$0.67	$939 (m)	
Option B: Status quo	Motor Vehicle Account	2022/23	4,110,503	$113.94	$468 (m)	$1,431 (m)
		2023/24	4,185,649	$113.94	$477 (m)	
		2024/25	4,262,168	$113.94	$486 (m)	
	Earners' Account	2022/23	$1,679 (m)	$1.21	$2,031 (m)	$6,419 (m)
		2023/24	$1,768 (m)	$1.21	$2,140 (m)	
		2024/25	$1,858 (m)	$1.21	$2,248 (m)	
	Work Account	2022/23	$1,262 (m)	$0.67	$846 (m)	$2,678 (m)
		2023/24	$1,333 (m)	$0.67	$893 (m)	
		2024/25	$1,401 (m)	$0.67	$939 (m)	
Option C: MBIE's proposed levy rates	Motor Vehicle Account	2022/23	4,110,503	$113.94	$468 (m)	$1,431 (m)
		2023/24	4,185,649	$113.94	$477 (m)	
		2024/25	4,262,168	$113.94	$486 (m)	
	Earners' Account	2022/23	$1,679 (m)	$1.27	$2,132 (m)	$7,067 (m)
		2023/24	$1,768 (m)	$1.33	$2,352 (m)	

		2024/25	$1,858 (m)	$1.39	$2,583 (m)	
	Work Account	2022/23	$1,262 (m)	$0.63	$795 (m)	$2,518 (m)
		2023/24	$1,333 (m)	$0.63	$840 (m)	
		2024/25	$1,401 (m)	$0.63	$883 (m)	

ACC's calculated levy rates are based on various cost assumptions

Assumptions that influence ACC levy rates can be grouped into two broad categories:

- Economic assumptions – these are economic-type assumptions that ACC generally (but not exclusively) sources from external organisations (such as the Treasury), ensuring alignment with other government agencies.
- Claim assumptions – these describe ACC's view of expected claim behaviour (frequency) and treatment and rehabilitation cost assumptions (cost).

ACC's Pricing Reports for each levied Account detail the key assumptions that have the greatest impact on the recommended levy rates. In summary, these reports outline:

Economic assumptions

- A decrease in the risk-free discount rate compared to the previous review.
- A decrease in forecast investment returns compared to the previous review.
- An increase in Labour Cost Index (LCI) forecast.
- Population growth based on the Treasury's population projections and Treasury HYEFU 2020 unemployment forecasts, as at December 2020, which are used to project future claims volumes.
- An increase in liable earnings forecasts for both the Earners' and Work Accounts compared to the previous review.
- A decrease in the forecasted number of licensed vehicles compared to the previous review, based on licence data received from NZTA as at 31 December 2020.

Claims assumptions

ACC is forecasting a growth in claims costs over the levy period across the Motor Vehicle, Earners', and Work Accounts. ACC's Pricing Reports present the forecast frequency and costs for several different claims types, including weekly compensation claims, sensitive claims, elective surgery claims, social rehabilitation claims for serious injuries, and other medical claims.

ACC's policy and operational setting assumptions are covered in the following section, which addresses ACC's management actions in further detail.

Expected benefits of IP and ICIP are included in ACC's recommended levy rates

ACC has explicitly incorporated an estimate of the impact of planned management actions on claims cost, and reduced its proposed levy rates accordingly. The allowances for management responses have reduced ACC's recommended levy rates by the following amounts:

- Motor Vehicle Account (per vehicle): $7.76 in 2022/23, $8.74 in 2023/24, and $9.47 in 2024/25
- Earners' Account (per $100 of liable earnings): $0.05 in 2022/23, 2023/24, and 2024/25
- Work Account (per $100 of liable earnings): $0.03 in 2022/23, 2023/24, 2024/25

ACC's management responses are:

- Injury Prevention (IP) investments, which aim to stop accidents from occurring and reduce the severity of injuries that are suffered, in turn reducing claims costs.
    - The Ride Forever Programme is one example of an IP investment, which provides courses on motorcycle safety.
- Integrated Change Investment Programme (ICIP) initiatives, which are designed to improve ACC's operating efficiency and deliver improved outcomes for claimants. ICIP initiatives include:
    - Next Generation Case Management – redesign of ACC's case management model to improve client outcomes and increase productivity.
    - Health Services Strategy – greater collaboration and partnerships with providers to support outcomes-based commissioning.
    - Analytics – uplift ACC's capability using analytics to leverage analytics to enable other initiatives.

ICIP is behind on delivering the expected claim cost benefits, while IP has met most targets in recent years. Deloitte has recommended that if the expected combined benefits of ICIP and IP are not delivered by the next levy consultation in three years, they should not be included in ACC's recommended levy rates (and instead they should be incorporated in levy-setting assumptions when they are evident in the claims experience). MBIE and the Treasury will continue to monitor the performance of ACC and ICIP over the next three years, as recommended by Deloitte.

Impact analysis

MBIE's proposed levy rates will impact all owners of motor vehicles, earners, and employers

MBIE's proposed increases to the average levy rates for the Earners' Account will impact all earners, and MBIE's proposed decrease in the average levy rates for the Work Account will impact all employers. MBIE's proposal to maintain the average levy rates for the Motor Vehicle Account will impact all owners of licensed motor vehicles. Table 10 below models the impact of levy changes on a range of households and businesses.

Table 10: Annual total ACC levies that would be paid by households and businesses in 2024/25 under each option, compared to the current annual total[10]

Household	Current (2021/22)	Option A (ACC's recommended levy rates)	Option B (Status Quo)	Option C (MBIE's proposed levy rates)
Family with a household income of $129,000 and three vehicles (2 x petrol driven cars, 1 x diesel driven ute)	$1,891	$2,195	$1,893	$2,125
Family with a household income of $85,000 and two vehicles (1 x diesel driven car, 1 x diesel driven ute)	$1,254	$1,461	$1,259	$1,412
A retired couple with one vehicle (1 x petrol/non-petrol vehicle)	$105	$123	$101	$101
Single parent with an income of $31,000 (approx. 30hrs/week on minimum wage) and 1 car	$480	$553	$476	$532
Family with a household income of $24,300 (median income for Pacific peoples) and 1 car	$399	$460	$395	$439
Small house construction business with 8 employees each earning $70,000 and a small fleet (3x diesel driven ute/van, 3x petrol driven car)	$10,028	$9,238	$9,109	$8,591
Medium sized architecture business with 35 employees (average income of $81,000 each) and 5 petrol driven cars	$4,492	$4,015	$3,907	$3,704

Impact of levy rate options on the funding ratio and future levy rates for each levied Account

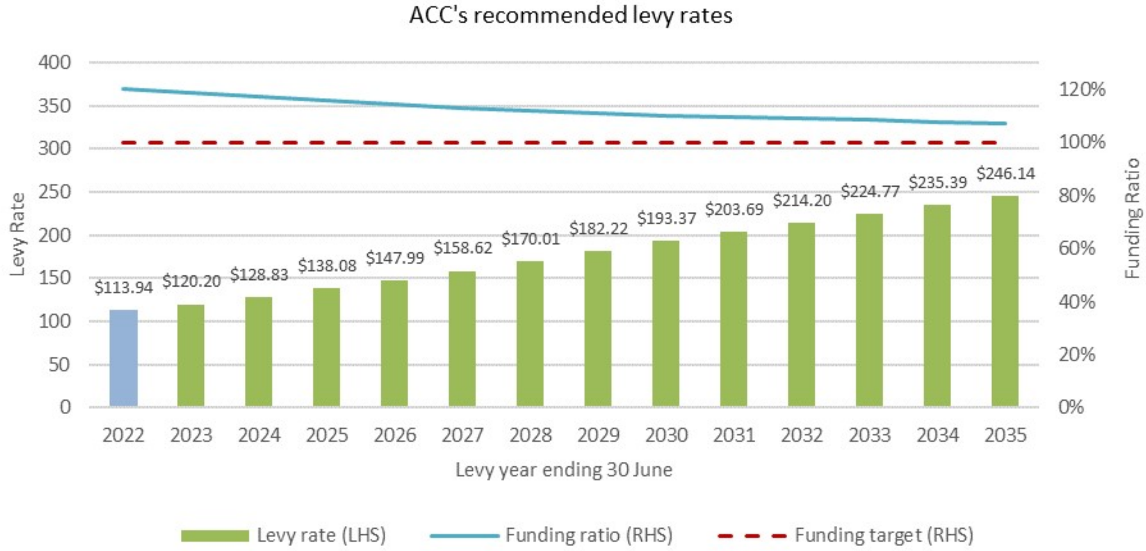
The following section shows the impact of each of the three levy rate options on the funding ratio and future levy rates for each of the levied Accounts, given ACC's current forecast assumptions.

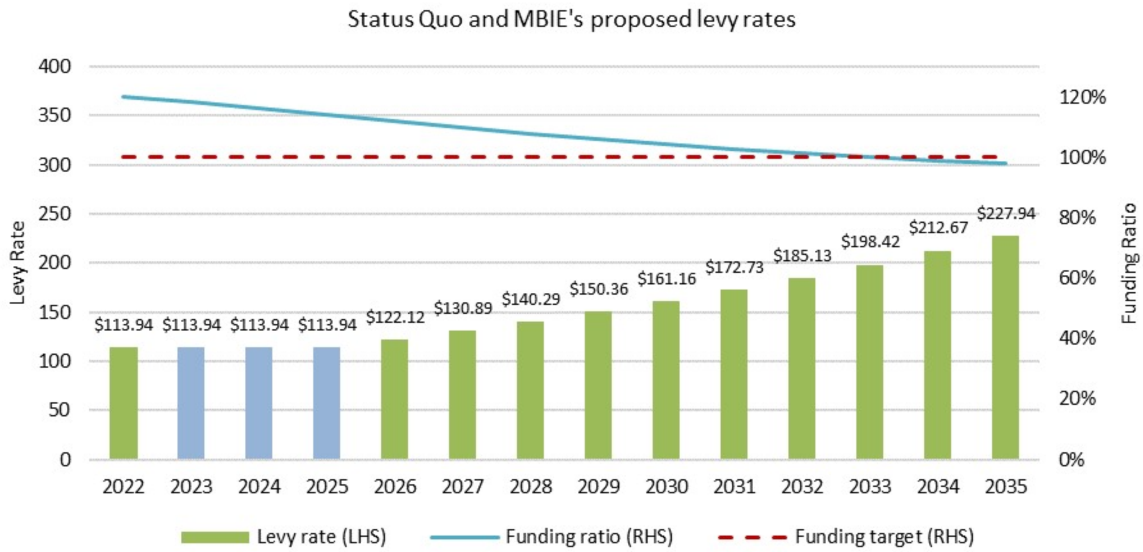
Impact on the Motor Vehicle Account

As figures 1 and 2 below demonstrate, by holding levy rates constant for the next three years, the Motor Vehicle Account's funding ratio would dip slightly below the 100% target over the 10 year funding horizon, in comparison to ACC's recommended levy rates which would see the funding ratio be maintained above 100%.

10 Impact scenarios assume no change in liable earnings for earners and businesses over the three years, average petrol consumption remains constant over three years, and that risk relativities are updated for a change in claims experience since the 2018 consultation

Figures 1 and 2: Motor Vehicle Account funding ratio and levy projections 2022/23-2024/25 for option A (ACC's recommended levy rates) and options B (Status Quo) and C (MBIE's proposed levy rates)





MBIE considers that there is scope to consider holding the levy rate for the 2022/23 – 2024/25 period. The account is projected to dip below the funding ratio of 100 per cent over the 10 year funding horizon (97.9 per cent in 2035). However, unlike the Earners' Account, which is predicted to go below the 100 per cent funding ratio by 2026, we consider there is sufficient time to correct any imbalance through the next levy round.

Due to the nature of injuries within the Motor Vehicle Account (more serious injuries requiring higher levels of rehabilitation and care) there is a higher risk in holding the levies over the next three years, and this risks placing a higher burden on future generations of levy payers.

The Motor Vehicle levy is split between an "at pump" petrol levy and motor vehicle registration charges. Current petrol vehicle owners pay a petrol levy of 6 cents per litre. Considering the current elevated cost of petrol, MBIE agrees with ACC and considers that if the motor vehicle levy is increased, the petrol levy component should not be increased for this levy round for public interest considerations. The benefits of maintaining the average petrol levy and increasing the registration fee portion include minimising cross-subsidisation of unsafe short-distance drivers and unsafe fuel efficient vehicles (such as motorcycles) by safe long-distance drivers and safer, but less fuel efficient vehicles.

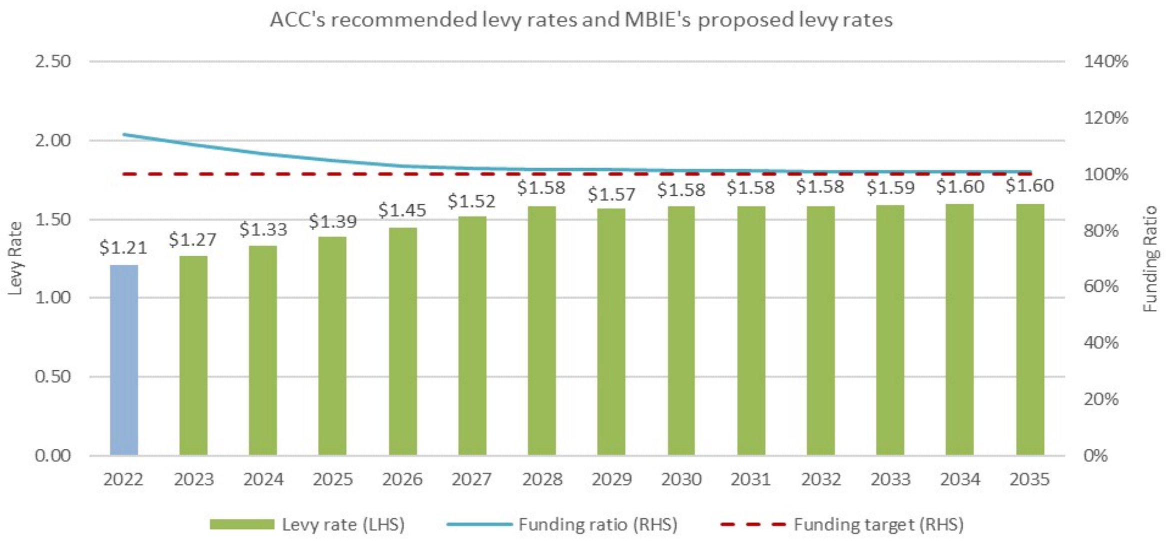
MBIE considers that maintaining current rates for the Motor Vehicle account is reasonable because:

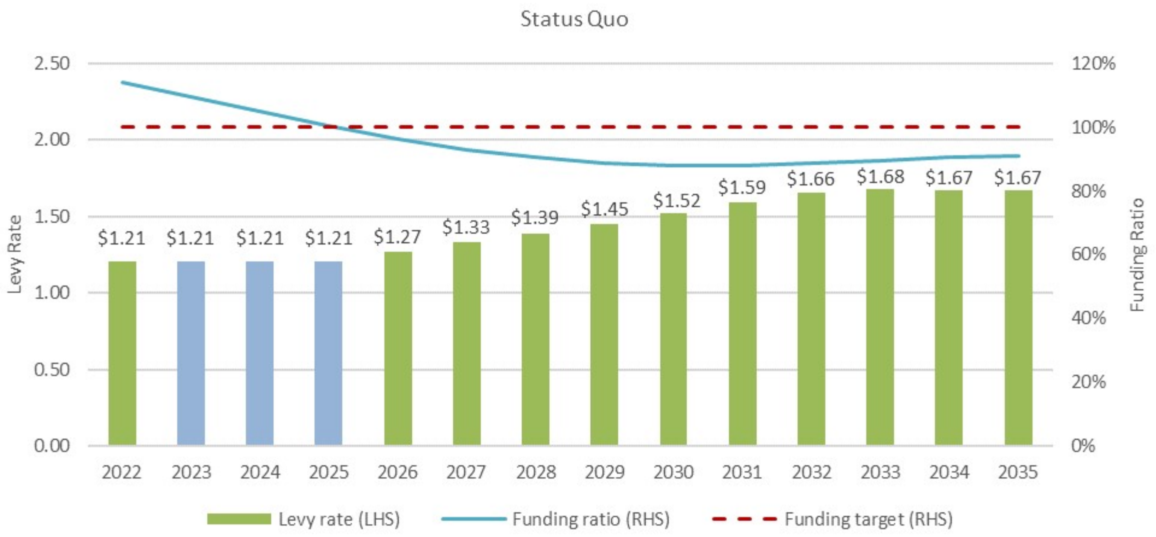
- the 100% funding ratio is a target, meaning that Accounts are expected to fluctuate over time, while continuously heading towards 100%. Future levy reviews will allow for the chance to increase levy rates to make up for any under-collection over the short-term
- we consider there is sufficient time to correct any under collection in the Motor Vehicle Account in comparison to the Earners' Account where there is a much greater risk
- the amount of levies collected should aim to fund necessary costs, and no more.

Impact on the Earners' Account

Figures 3 and 4 below show that, all things being equal, maintaining the current levy rates for 2022/23, 2023/24, and 2024/25 would result in a significant difference in the levy increase required in future levy periods compared to the levy rate increases that ACC is recommending. The figures also show that holding the current levy rates in place for the next three years would see the funding ratio of the Account go below 90% over the funding horizon.

Figures 3 and 4: Earners' Account funding ratio and levy projections 2022/23-2024/25 for options A (ACC's recommended levy rates) and C (MBIE's proposed levy rates), and option B (Status Quo)





MBIE considers there is a reasonable rationale for increasing average levy rates, considering that the Account is likely to fall below the funding target within the next three years, and the inherent pressures on the Earners' Account.

MBIE considers increasing the current rates for the Earners' Account could be appropriate as:

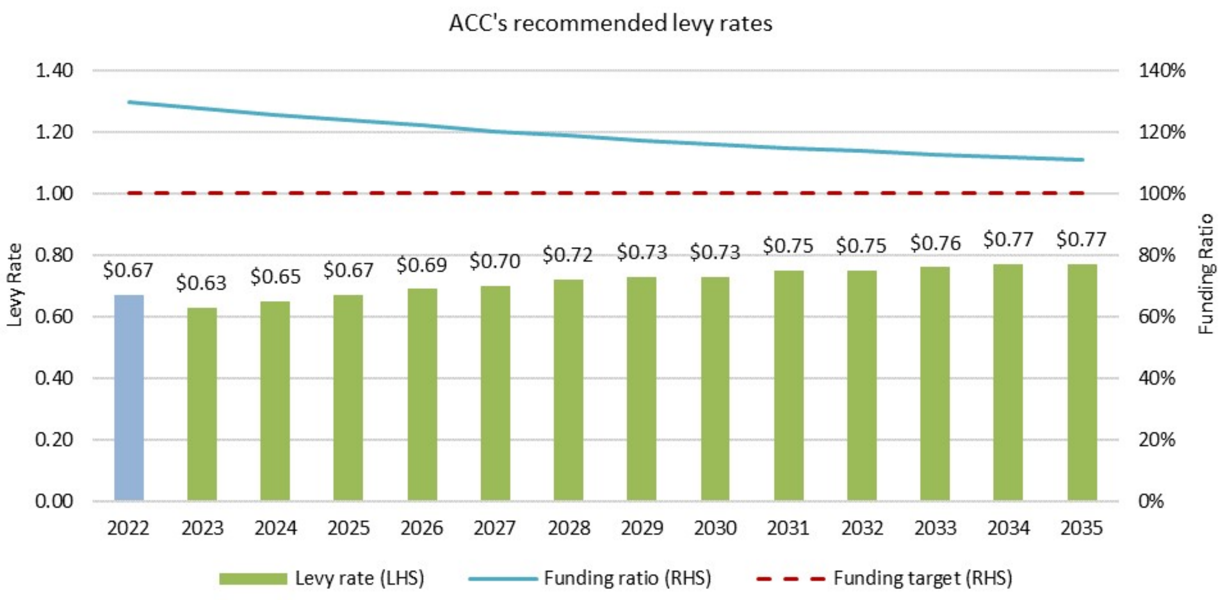
- holding the current levy rates in place for the next three years would see the Account go below 90 per cent solvency (88 per cent) over the 10 year funding horizon, leading to larger increases in levy rates in outer years, where future levy payers would be required to fund the cost of current claims
- unlike the Motor Vehicle Account, the Earners' Account is expected to go below 100 percent solvency much earlier, in 2026. MBIE considers this risk outweighs the benefit to current levy payers of maintaining the current rates
- under the FPS, levy rate increases are capped at five per cent to avoid large increases for levy payers. ACC's calculated levy increase, without being capped, would be $1.46 per $100 or liable earnings, meaning the proposed rates are well below the current expected New Year Cost Rate.

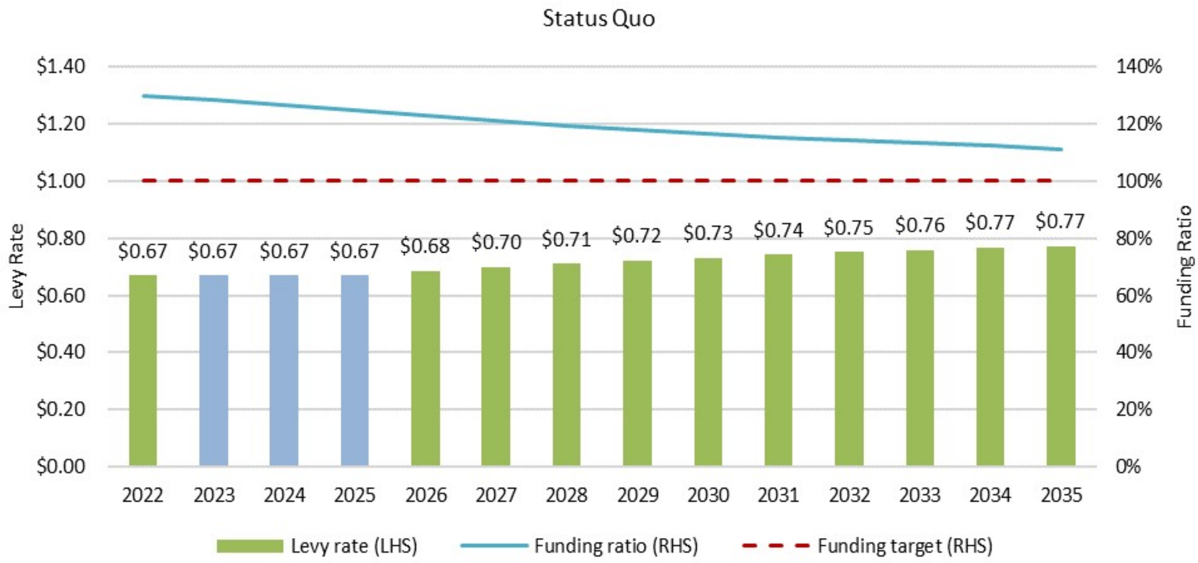
Members of the public have expressed concerns about the rising cost of living, and the impact that increasing the Earners' levy rates will have on their disposable income. However, wage inflation has continued to increase over the COVID-19 pandemic. MBIE considers that the risk of even larger levy increases in the future could have an even greater impact on the disposable income of levy payers.

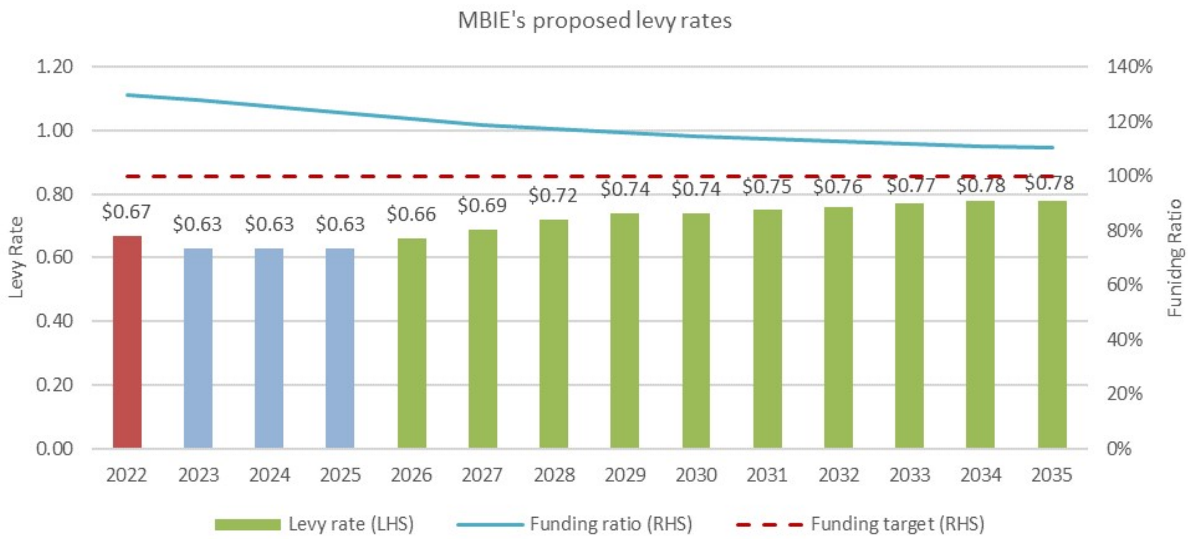
Impact on the Work Account

Figures 5, 6, and 7 below show that under each of the three levy rate options, the Work Account funding ratio is expected to remain above the 100% funding target over the next 10 years. The figures also show that levies will need to be increased at some point beyond the next levy round, if forecast claims experience eventuates.

Figures 5, 6 and 7: Work Account funding ratio and levy projections 2022/23-2024/25 for options A (ACC's recommended levy rates), B (Status Quo), and C (MBIE's proposed levy rates)







MBIE considers there is good reason to hold ACC's recommended 2022/23 levy rate decrease for the 2023/24 and 2024/25 levy years:

- the Work Account funding ratio is expected to remain above the 100% target over the next 10 years. Although holding the Account at the lower rate for all three years would necessitate larger increases in the following years, all else being equal, we consider this a lower priority in comparison to reducing some cost pressures for business due to the impacts of the current COVID-19 pandemic

- the Work Account cost drivers are more certain and understood. It is less susceptible to uncertainties and cost drivers that are not well understood, such as elective surgery costs.

The funding ratio of this Account is also substantially higher in comparison to the other Accounts. ACC uses risk free discount rates when making investment return assumptions under the FPS. MBIE requested Deloitte model levy rates and solvency using discounted expected investment return assumptions instead.

Using expected investment returns, the Work Account's current funding ratio would be 150.7 per cent. Given that the Work Account funding ratio is expected to remain above the 100 per cent target over the next 10 years, a levy reduction is appropriate to get the Account closer to the 100 per cent funding position over a shorter period of time.

However, as the funding ratio is wound down, expected cost increases will be offset to a lesser extent. This means that levies will need to be increased at some point beyond the next levy round, if forecast claims experience eventuates. Given this risk, we have not recommended an even larger levy reduction in this levy round.

Comparison of each levy rate option against policy objectives

Table 11: Analysis of levy rate options against the four key policy objectives

Key: Positive (+) **Neutral (0)** **Negative (-)**

Objectives	**Option A (ACC's recommended levy rates)**	**Option B (Status Quo)**	**Option C (MBIE's proposed levy rates)**
Meeting the lifetime costs of claims each year	**Positive (0 to +2)**	**Neutral (0)**	**Positive (0 to +2)**
Intergenerational equity There are two approaches to this[11]. Approach 1: drawing less from the funding surplus now, reducing the likelihood that future levy payers would need to subsidise costs of current levy payers Approach 2: drawing more from the funding surplus now, more quickly reducing the subsidy available to future levy payers	(+1) Approach 1: Uses less of the funding surplus than the status quo for Motor Vehicle and Earners' Accounts, reducing the likelihood that future levy payers would need to subsidise costs of current levy payers compared to the status quo. (-1) Approach 2: Uses less of the funding surplus than the status quo for Motor Vehicle and Earners' Accounts, so increases the subsidy available to future levy payers.	(0) While this option uses more of the funding surplus for the Earners' Account, reducing the subsidy available to future levy payers in line with intergenerational equity, this is offset by the risk that future levy payers may need to subsidise for inadequate levy collection.	(-1) Approach 1: Uses more of the funding surplus than the status quo for Work Account, increasing the likelihood that future levy payers would need to subsidise costs of current levy payers compared to the status quo. (+1) Approach 2: Uses more of the funding surplus than the status quo for Work Account, so reduces the subsidy available to future levy payers.

[11] There are two approaches to intergenerational equity, which involve using surpluses differently. ACC's recommended levy rates must give effect to the FPS, which requires that the surpluses are spread over a ten-year period, so use less of the funding surpluses now. MBIE's proposed levy rates are not bound by the FPS, so can use more of the funding surpluses sooner given the current economic situation. The approach that is chosen affects the overall rating of each option against the objective 'meeting the lifetime costs of claims each year', and for this reason the overall ratings for this objective are presented as a range.

Fair share of costs – reflecting true cost of injuries – best estimate of current claim costs	(+1) Reflects the latest forecast claims rates and costs better than the status quo because it takes account of the latest actuarial assessment for the levy period.	(0) Does not reflect the latest forecast claims rates and costs.	(+1) Reflects the latest forecast claims rates and costs better than the status quo because it takes account of the latest actuarial assessment for the levy period.
Maximise injury prevention incentives by sending the right price signals	(+1) Uses less of the funding surplus than the status quo for the Motor Vehicle and Earners' Accounts, more clearly signaling claims costs to levy payers. (-1) Uses more of the funding surplus than the status quo for the Work Account, dampening price signals sent to levy payers about claims costs.	(0) Does not send price signal reflecting changes in claims costs to levy payers, as no change is made to levy rates despite changes in claims costs.	(+1) Uses less of the funding surplus than the status quo for the Earners' Account, more clearly signaling claims costs to levy payers. (-1) Uses more of the funding surplus than the status quo for the Work Account, dampening price signals sent to levy payers about claims costs.
Correcting for any surplus or deficits	**Positive (+1)**	**Neutral (0)**	**Positive (+3)**
Return to target solvency	(-1) Moves towards the target funding ratio more quickly than the status quo for the Work Account, and more slowly than the status quo for the Motor Vehicle and Earners' Accounts. (+1) Does not move significantly below target funding ratio over 10 year horizon for Earners' Account unlike the status quo.	(0) Does not consider the target funding ratio.	(+1) Moves towards target funding ratio more slowly than the status quo for the Earners' Account, but more quickly than the status quo for Work Account. (+1) Does not move significantly below target funding ratio over 10 year horizon for Earners' Account unlike the status quo.

Confidence in solvency adequacy	(+1) Funding ratio of Motor Vehicle and Work Accounts would sit above 100%, while Earners' Account would almost reach 100%, over 10 year horizon.	(0) Funding ratio of Earners' Account moves below 90% over 10 year horizon, creating a risk for Account solvency. Funding ratio of Motor Vehicle Account would sit just below 100%, while Work Account would sit above 100% over 10 year horizon.	(+1) Funding ratio of Motor Vehicle Account would sit just below 100%, while funding ratio of Work Account would sit above 100%, and Earners' Account would almost reach 100%, over 10 year horizon.
Avoiding large changes in levies	**Neutral (0)**	**Neutral (0)**	**Neutral (0)**
Levy stability (ability to plan future costs + sustainable levy path)	(0) Increasing levy rates for Motor Vehicle and Earners' Accounts now reduces the risk of larger increases being required for future levy rates, allowing for greater long term stability, but reducing short term stability compared to the status quo.	(0) Maintaining current levy rates ensures short term stability for levy payers, but increases risk of larger increases being required for future levy rates for the Motor Vehicle and Earners' Accounts.	(0) Maintaining current levy rates for Motor Vehicle Account and dropping and holding levy rates for the Work Account ensures short term stability for levy payers, but increases risk of larger increases being required for future levy rates.
Public interest considerations	**Negative (-1)**	**Neutral (0)**	**Positive (+1)**
Broader economic and social considerations (interest groups are potential future claimants and future levy payers)	(-1) Increasing levy rates for Motor Vehicle and Earners' Accounts leaves levy payers with less money for other purposes.	(0)	(+1) Reducing Work Account levy rates leaves levy payers with more money for other purposes. This is especially significant in this levy round, where businesses have been negatively impacted by COVID-19.
Totals	**0 to +2**	**0**	**+4 to +6**

Consultation

ACC publicly consulted on its recommended levy rates from 1 September to 5 October 2021, and received a total of 1,273 submissions.

Motor Vehicle Account

Most submitters (84%) disagreed with ACC's proposed increase to the average Motor Vehicle Account levy rate. MBIE's proposed levy rates take this into account.

Many submitters suggested that Motor Vehicle levy rates should be based on individual risk factors, rather than motor vehicle type or the number of vehicles owned. ACC has acknowledged this feedback and will consider it as part of its future levies strategy and work programme.

Motorcyclists were particularly vocal in their submissions, as they feel that motorcycle levy rate are unfairly high, particularly when other road users may be the cause of an accident. ACC has acknowledged this feedback, and noted that this feedback has been consistent over a number of years. ACC has highlighted that the expected cost of injuries to motorcyclists over the next three years is $374 million, and ACC's recommended levy rates will collect $102 million (less than 30%) of this from owners of motorcycles, with the rest subsidised by owners of other vehicle types. ACC believes that collecting this proportion of costs from motorcycle owners represents a fair approach to levy collection.

Feedback on whether electric vehicles should have the same levies as petrol vehicles was mixed. ACC has acknowledged that Motor Vehicle Account levy rates are unlikely to have a significant impact on vehicle purchasing decisions compared to other incentives electric vehicles offer, and proposed that the option to align the electric vehicle levy rate with other non-petrol passenger vehicles be considered. The Minister for ACC decided not to align the electric vehicle levy rate with other non-petrol vehicles now, as there is sufficient time between now and the next levy round for ACC and MBIE to work together with the Ministry of Transport to design an appropriate levy solution to adapt to the changing nature of motorised transport.

Earners' Account

Most submitters (60%) disagree with ACC's proposed increase to the Earners' Account levy rate.

Submitters were concerned with the impact that ACC's proposed increase would have on individuals struggling with rising costs of living, and some particularly suggested that more consideration be given to the equity of the AC Scheme. ACC has acknowledged this feedback, and notes that a Head of Equity Strategy and Delivery role has been established within the rōpū Pae Ora, which includes exploring a targeted programme of work for Pasifika and the establishment of an engagement framework with iwi, hapū and Māori businesses.

Some submitters were interested in ways to reduce the cost and number of injuries over time. Some submitters also suggested that levy rates should be based on individual risk factors, by introducing categories and incentives in line with other accounts. ACC has acknowledged this feedback and will consider it as part of its future levies strategy and work programme.

Work Account

Most submitters (60%) support ACC's recommended decrease to the Work Account levy rate for 2022/23 followed by increases in 2023/24 and 2024/25. MBIE's proposed levy rates take this support for levy rate decreases into account, proposing to maintain the initial decrease proposed by ACC.

Some submitters called for more consistency and stability in ACC's recommended levy rates, to reflect the rising cost of living and the current financial difficulties experienced by employers as a result of the ongoing COVID-19 pandemic. MBIE's proposed levy rates take these factors into account by considering the broader public interest.

Some submitters had concerns around Next Generation Case Management (an ICIP initiative) and accessing to ACC services. ACC's Next Generation Case Management model aims to improve the connection between clients, their family, providers and employers. MBIE notes that the expected benefits of ICIP initiatives previously estimated have not yet been delivered. The benefits of ICIP delivered over the next three years will be monitored by MBIE and the Treasury.

Conclusions and recommendations

MBIE recommends that the Motor Vehicle Account levy rate is maintained at the current level for 2022/23, 2023/24, and 2024/25, that the Earners' Account levy rate is increased at ACC's recommended rate for 2022/23, 2023/24, and 2024/25, and that the Work Account levy rate is decreased to ACC's recommended rate for 2022/23 and then held at that rate for 2023/24 and 2024/25.

These levy rates will meet the policy objectives by meeting the lifetime cost of claims in relation to injuries that are expected to occur each levy year, correcting over-funding of the levied Accounts, avoiding large changes in levy rates, and having regard for public interest. These levy rates do, however, increase the likelihood that levy rates will need to be increased by a greater amount in the future, compared to ACC's recommended levy rates.

Implementation plan

Regulations must be made to enable the collection of the new levy rates from 1 April 2022 for the Work and Earners' Accounts, and 1 July 2022 for the Motor Vehicle Account.

To enable the new Earners' Account levy rate to be in place on 1 April 2022, Inland Revenue requires notification of the approved Earners' Account rates by mid-December 2021 so that payroll software developers can update, test, and distribute their systems updates.

ACC will also need to make adjustments to its processes and systems to reflect the proposed changes in levy rates to the Work Account. It will also need to implement a communications plan to ensure levy payers and other stakeholders are informed of the changes and their implications.

Review, monitoring, and evaluation

ACC levy rates are reviewed every three years

Monitoring, evaluation and review is built into the three yearly review of ACC levy rates, which involves independent actuarial assessments of ACC's liabilities and assumptions about claims costs in the upcoming year. ACC levy rates will next be reviewed in 2024, when the 2025/26, 2026/27, and 2027/28 levy rates are set.

Additionally, ACC's performance is monitored by the Treasury. ACC produces quarterly reports detailing its performance for each quarter. The Chair of the ACC Board and the Minister for ACC discuss ACC's performance based on these reports.

Under section 278A of the Accident Compensation Act 2001 ACC's Actuary annually prepares a Financial Condition Report which provides advice to ACC's Board in relation to ACC's operations, financial condition, liabilities and funding requirements and to discuss the implications of any known material risks that may affect the long-term financial health of the organisation. ACC must provide the report to the Minister for ACC. The Minister for ACC must provide a copy of the report to the Minister of Finance and present the report to the House of Representatives within five days of receiving the report.

MBIE's independent actuary Deloitte considered that ACC applied the FPS appropriately, and that ACC's recommended levy rates are reasonable.

Deloitte recommended that the benefits delivered through ICIP and IP are monitored, and that if the expected benefits are not realised by the next review in three years, it may no longer be reasonable to include these expected benefits when projecting future levy rates. Deloitte advised that in these circumstances it may be more appropriate to instead incorporate benefits into levy assumptions when they are evident in claims experience. MBIE and the Treasury will continue to monitor the performance of ACC over the next three years.

Annex 1: Projected future new year cost rate by payment type

Table 1: Projected future new year cost rate by payment type for the Motor Vehicle Account

Cost category	2022/23	2023/24	2024/25
Medical costs			
General practitioner	1.10	1.13	1.18
Physiotherapy	0.77	0.79	0.82
Radiology	1.58	1.63	1.69
Other medical	9.01	9.26	9.58
Public health acute services	21.79	22.44	23.12
Elective surgery	10.68	11.03	11.51
Social rehabilitation			
Serious injury - care	58.88	59.82	60.92
Serious injury - capital	8.69	8.77	8.87
Non-serious injury - care	10.37	10.54	10.79
Non-serious injury - capital	2.97	2.97	3.01
Compensation related			
Weekly compensation	63.72	66.22	69.17
Fatal benefit	8.29	8.39	8.51
Vocational rehabilitation	2.44	2.54	2.66
Independence allowance and lump sum	1.82	1.84	1.86
Claims costs	**202.10**	**207.37**	**213.69**
Operating costs			
Claims handling	10.97	11.10	11.25
Administration expenses	2.38	2.35	2.35
Timing of levy receipt	3.13	3.53	3.86
	16.48	**16.98**	**17.47**
New year cost rate	**218.58**	**224.34**	**231.16**

Table 2: Projected future new year cost rate by payment type for the Earners' Account (excluding Earners' portion of the Treatment Injury Account)

Cost category	2022/23	2023/24	2024/25
Medical costs			
General practitioner	0.04	0.04	0.04
Physiotherapy	0.05	0.05	0.05
Radiology	0.06	0.06	0.06
Other medical	0.11	0.12	0.12
Public health acute services	0.09	0.09	0.09
Elective surgery	0.15	0.16	0.16
Sensitive claims	0.12	0.12	0.12
Social rehabilitation			
Serious injury - care	0.08	0.08	0.08
Serious injury - capital	0.01	0.01	0.01
Non-serious injury - care	0.03	0.04	0.04
Non-serious injury - capital	0.01	0.01	0.01
Compensation related			
Weekly compensation	0.56	0.57	0.57
Fatal benefit	0.02	0.02	0.02
Vocational rehabilitation	0.03	0.03	0.03
Independence allowance and lump sum	0.00	0.00	0.00
Claims costs	**1.37**	**1.39**	**1.40**
Operating costs			
Claims handling	0.11	0.11	0.11
Administration expenses	0.02	0.02	0.02
Bad Debt & Timing of levy receipt	0.04	0.04	0.04
	0.17	**0.17**	**0.17**
New year cost rate	**1.55**	**1.56**	**1.57**

Table 3: Projected future new year cost rate by payment type for the Earners' portion of the Treatment Injury Account

Cost category	2022/23	2023/24	2024/25
Medical costs			
General practitioner	0.00	0.00	0.00
Physiotherapy	0.00	0.00	0.00
Radiology	0.00	0.00	0.00
Other medical	0.01	0.01	0.01
Public health acute services	0.00	0.00	0.00
Elective surgery	0.02	0.02	0.02
Social rehabilitation			
Serious injury - care	0.01	0.01	0.01
Serious injury - capital	0.00	0.00	0.00
Non-serious injury - care	0.01	0.01	0.01
Non-serious injury - capital	0.00	0.00	0.00
Compensation related			
Weekly compensation	0.05	0.05	0.05
Fatal benefit	0.00	0.00	0.00
Vocational rehabilitation	0.00	0.00	0.00
Independence allowance and lump sum	0.00	0.00	0.00
Claims costs	**0.11**	**0.11**	**0.11**
Operating costs			
Claims handling	0.01	0.01	0.01
Administration expenses	0.00	0.00	0.00
Bad Debt & Timing of levy receipt	0.00	0.00	0.00
	0.01	**0.01**	**0.01**
New year cost rate	**0.12**	**0.12**	**0.12**

Table 4: Projected future new year cost rate by payment type for the Work Account

Cost category	2022/23	2023/24	2024/25
Medical costs			
General practitioner	0.02	0.02	0.02
Physiotherapy	0.01	0.01	0.01
Radiology	0.02	0.02	0.02
Other medical	0.04	0.04	0.04
Public health acute services	0.04	0.04	0.04
Elective surgery	0.05	0.05	0.05
Social rehabilitation			
Serious injury - care	0.02	0.02	0.02
Serious injury - capital	0.00	0.00	0.00
Non-serious injury - care	0.02	0.02	0.02
Non-serious injury - capital	0.01	0.01	0.00
Compensation related			
Weekly compensation	0.44	0.45	0.45
Fatal benefit	0.01	0.01	0.01
Vocational rehabilitation	0.02	0.02	0.02
Independence allowance and lump sum	0.00	0.00	0.00
Gradual process	0.02	0.02	0.02
Claims costs	**0.72**	**0.72**	**0.73**
Operating costs			
Claims handling	0.07	0.07	0.06
Administration expenses	0.05	0.04	0.04
Bad Debt & Timing of levy receipt	0.07	0.07	0.07
	0.18	**0.18**	**0.18**
New year cost rate	**0.91**	**0.91**	**0.91**

Annex 2: Cost drivers for ACC's proposed 2022/23 levy rates

Table 1: Cost drivers causing ACC's recommended 2022/23 Motor Vehicle Account levy rate to differ from ACC's previous estimate

2021/22 levy rate	$113.94
ACC's previous estimated 2022/23 levy rate	$134.94
Base Inflation	+$9.23
Discount Rate/Investment Forecasts	+$48.08
New Funding Policy	-$40.09
Opening Assets	-$64.40
Other	+$2.23
New Year Claims	
Lower superimposed inflation for Elective Surgery	-$1.20
Reduced claims volume for Weekly Compensation	-$3.07
Longer rehabilitation for Weekly Compensation claims	+$13.53
Higher rehabilitation costs for Serious Injuries	+$6.43
Increased funding for emergency services	+$3.78
Other influenceable factors	+$1.15
Funding adjustment	+$6.92
Net Benefit of IP & ICIP	+$2.66
ACC's proposed 2022/23 levy rate	**$120.20**

Table 2: Cost drivers causing ACC's recommended 2022/23 Earners' Account levy rate to differ from ACC's previous estimate

2021/22 levy rate	**$1.21**
ACC's previous estimated 2022/23 levy rate	**$1.26**
Base Inflation	+$0.03
Discount Rate/Investment Forecasts	+$0.10
New Funding Policy	-$0.09
Opening Assets	-$0.14
Other	-$0.08
New Year Claims	
Higher claims volume for Weekly Compensation	+$0.06
Longer rehabilitation for Weekly Compensation claims	+$0.08
Increased Sensitive Claims volumes	+$0.05
Higher rehabilitation costs for Serious Injuries	+$0.03
Increased funding for emergency services	+$0.02
Other influenceable factors	+$0.04
Funding adjustment	+$0.09
Net Benefit of IP & ICIP	+$0.03
ACC's proposed 2022/23 levy rate (before capping adjustment)	**$1.46**

Table 3: Cost drivers causing ACC's recommended 2022/23 Work Account levy rate to differ from ACC's previous estimate

2021/22 levy rate	$0.67
ACC's previous estimated 2022/23 levy rate	$0.70
Base Inflation	+$0.01
Discount Rate/Investment Forecasts	+$0.09
New Funding Policy	-$0.06
Opening Assets	-$0.19
Other	-$0.03
New Year Claims	
Lower superimposed inflation for Elective Surgery	-$0.01
Reduced claims volume for Weekly Compensation	+$0.00
Longer rehabilitation for Weekly Compensation claims	+$0.09
Higher rehabilitation costs for Serious Injuries	+$0.02
Increased funding for emergency services	+$0.01
Other influenceable factors	-$0.00
Funding adjustment	-$0.00
Net Benefit of IP & ICIP	+$0.00
ACC's proposed 2022/23 levy rate	**$0.63**

Appendix 2: Government's Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts

Government’s Funding Policy Statement in Relation to the Funding of ACC’s Levied Accounts

This statement has been issued under section 166B of the Accident Compensation Act 2001 (“Act”).

In accordance with section 331(3) of the Act, the Accident Compensation Corporation (ACC) must give effect to this statement when recommending the making of regulations prescribing the rates of levies to the Minister for ACC.

Purpose

The purpose of this statement is to set out the Government’s policy with respect to the funding of ACC’s levied Accounts:

- the Earners’ Account (including any part of the Earners’ Account required to fund the Treatment Injury Account in accordance with section 228 of the Act);
- the Work Account; and
- the Motor Vehicle Account.

Accident compensation is by nature a long-term activity with liabilities that stretch over decades. In setting levies, it is necessary to consider the long-term nature of the claims they will fund as well as provide levy payers with reasonable stability of levy rates over time. This statement informs ACC of the Government’s expectations with regard to these two factors. In particular, the statement is intended to improve:

- transparency around funding decisions, by making it clear how today’s funding decisions will impact the scheme over future periods; and
- consistency and stability in decisions over time, by imparting a longer-term focus.

Principles of Financial Responsibility in Relation to Accounts

This policy statement is consistent with the principles of financial responsibility outlined in section 166A of the Act. Specifically, section 166A requires the cost of all claims under the levied Accounts to be fully funded. This means adequate assets must be maintained to fund the costs of claims. To achieve full funding when setting levies, section 166A requires the Minister for ACC to have regard to the following principles:

- the levies derived for each levied Account should meet the lifetime costs of claims in relation to injuries that occur in a particular year;
- if an Account has a deficit or surplus of funds to meet the costs of claims, that surplus or deficit is to be corrected by setting levies at an appropriate level for subsequent years; and
- large changes in levies should be avoided.

It is acknowledged that there may necessarily be trade-offs between the principles of financial responsibility. The statement below reflects the Government’s weighting of those principles.

Funding Policy Statement

Consistent with the principles of financial responsibility, ACC must recommend levies for each levied Account according to the following requirements:

a. ACC must base the aggregate levy rate for a year on the expected lifetime cost of claims in relation to injuries occurring in that year (“expected lifetime cost of claims in the levy year”).

b. Each Account must target a funding ratio of 100%. The funding ratio is calculated by dividing the assets by the liabilities. The assets are defined as the total assets reported in the annual report less:
   - payables
   - accrued liabilities
   - investment liabilities
   - provisions
   - unearned levy liability
   - and any assets for the accredited employers programme (AEP)

   The liabilities are defined as the balance sheet Outstanding Claims Liability (OCL) but:

   including:

   - off balance sheet work-related gradual process claims not yet made

   and excluding:

   - liability for the AEP
   - the OCL risk margin.

c. ACC must include an adjustment to the aggregate levy rate that takes the Account's funding ratio to the target defined in b. smoothly over a ten-year horizon. This is to be achieved by setting the adjustment at a fixed proportion of expected lifetime injury costs in the levy year, and for each year over a ten-year horizon.
d. Any annual increase to the aggregate levy rate for each Account must not exceed 5% (in addition to inflation adjustments for the Motor Vehicle Account).
e. Steps a. to d. are repeated for each levy year in the period for which ACC is recommending levies.

Dated this 10th day of March 2021.

HON CARMEL SEPULONI, Minister for ACC.

Appendix 3: Forecast future levy rates and funding ratio under ACC's recommended levy rates, MBIE's recommended levy rates and the no increases option, for each levied Account

Forecast future levy rates and funding ratio under ACC's recommended levy rates, MBIE's recommended levy rates and the no increases option, for each levied Account[1]

Figure 1: Forecast future levy rates and funding ratio for the Work Account for ACC's recommended levy rates

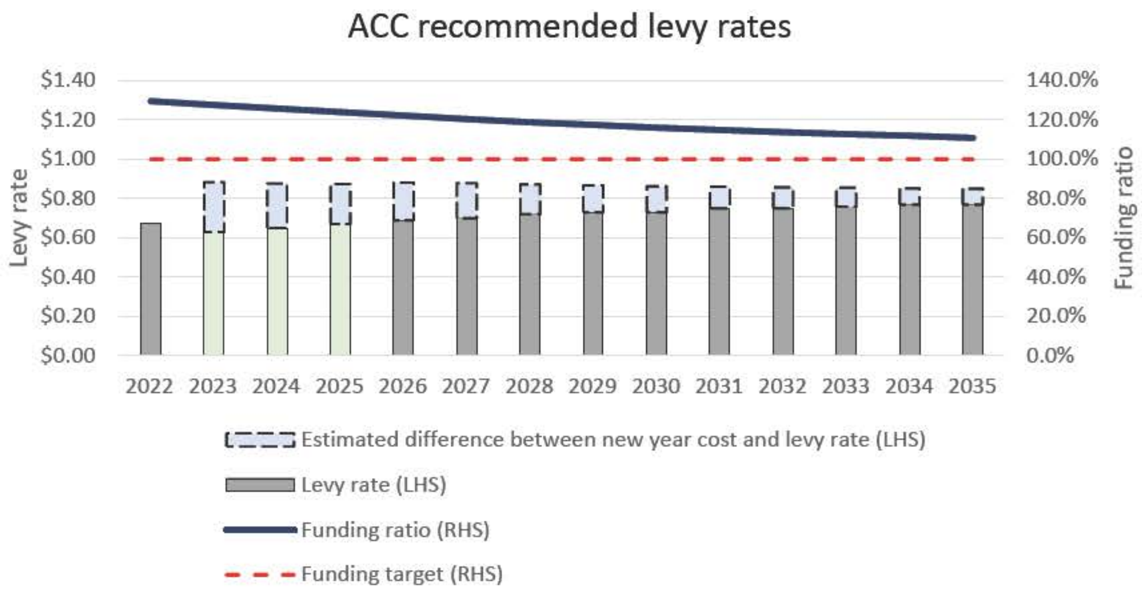
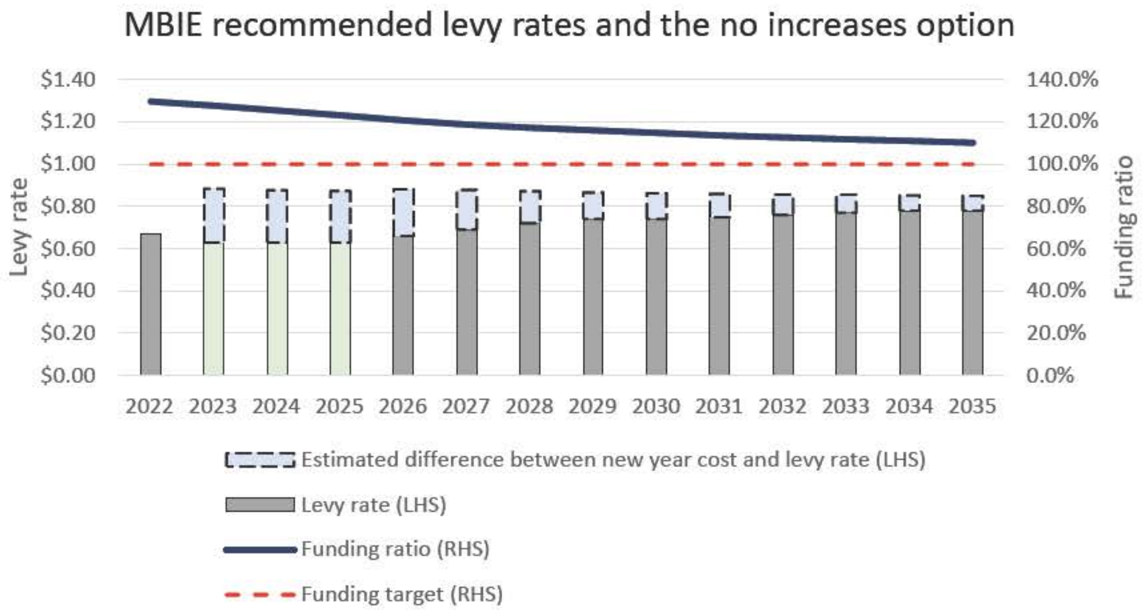


Figure 2: Forecast future levy rates and funding ratio for the Work Account for MBIE's recommended levy rates and the no increases option



[1] Levy rates being considered by Cabinet (2022/23, 2023/24, and 2024/25) are coloured light green.

Figure 3: Forecast future levy rates and funding ratio for the Earners' Account for ACC and MBIE's recommended levy rates

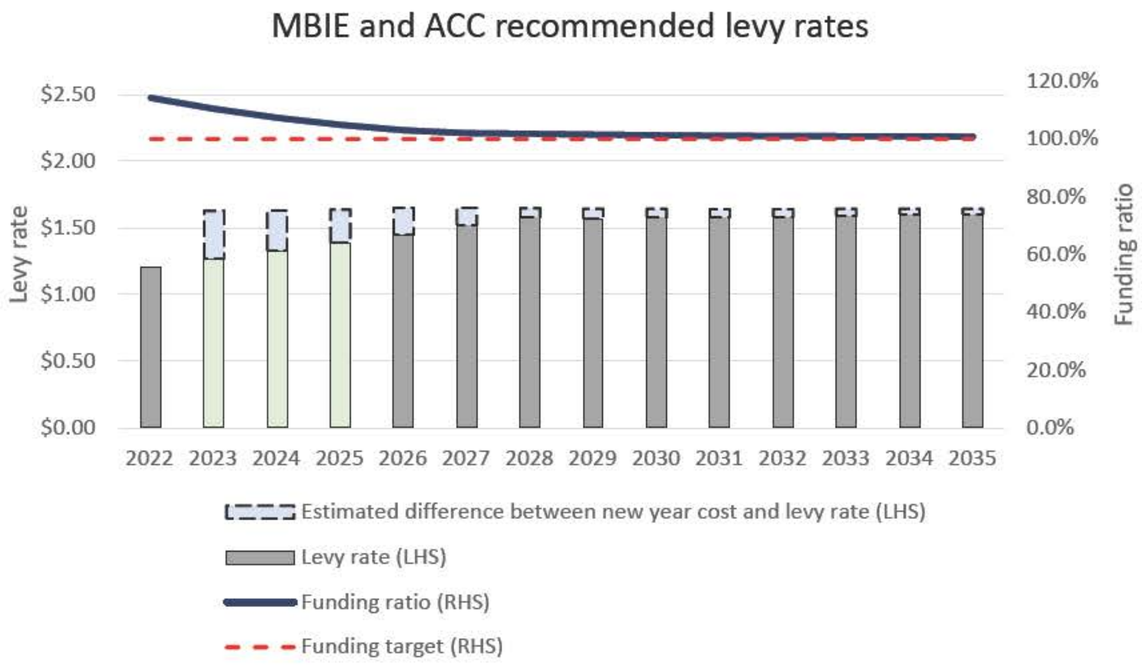
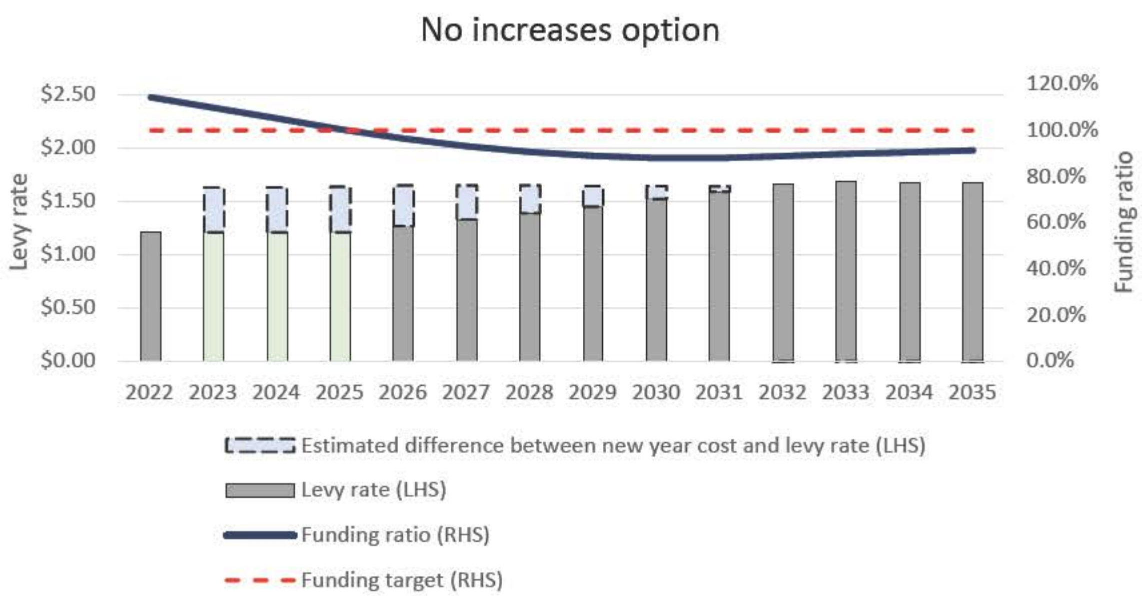


Figure 4: Forecast future levy rates and funding ratio for the Earners' Account for the no increases option [2]



[2] From 2032 the required levy rate exceeds the estimated new year cost – a funding ratio deficit requires higher levy rates to account for underfunding in previous years.

Figure 5: Forecast future levy rates and funding ratio for the Motor Vehicle Account for ACC's recommended levy rates

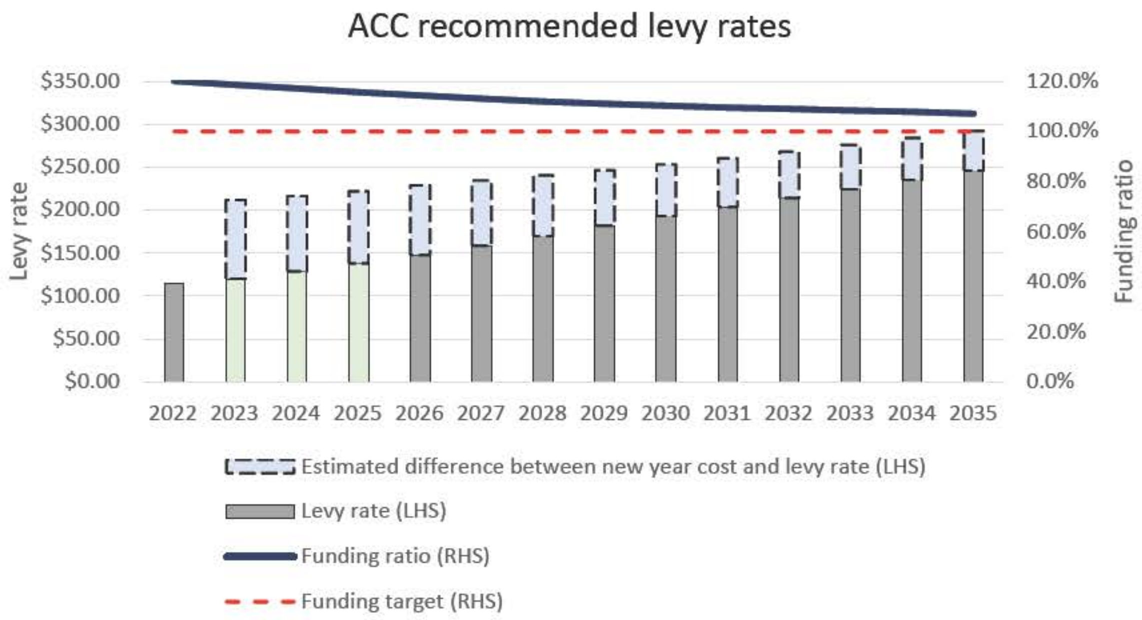
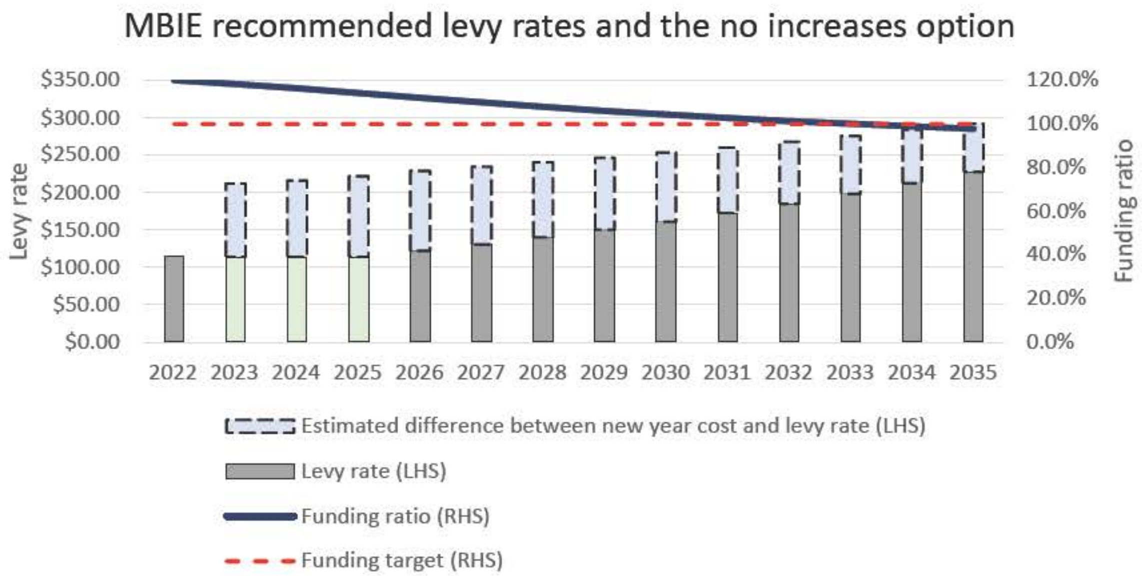


Figure 6: Forecast future levy rates and funding ratio for the Motor Vehicle Account for MBIE's recommended levy rates and the no increases option



Appendix 4: Motor Vehicle levy rates per vehicle type

Motor Vehicle levy rates per vehicle type

Motor Vehicle Class Rates under ACC's recommended average levy rates

		Current	2023	2024	2025
	Average levy	$113.94	$120.20	$128.83	$138.08
	Motor Vehicle Class Levies payable when the vehicle is relicensed each year				
2	Petrol driven passenger vehicles	$46.04	$46.16	$54.52	$63.56
2A[1]	Light electric vehicles	$46.04	$46.16	$54.52	$63.56
3	Petrol driven tractors, vintage and veteran vehicles, and specified vehicles	$16.40	$25.41	$30.02	$34.99
4A	Petrol driven mopeds*	$99.33	$104.78	$112.31	$120.37
4B	Petrol driven motorcycles 600cc or less*	$297.91	$314.27	$336.83	$361.01
4C	Petrol driven motorcycles over 600cc*	$397.18	$418.99	$449.07	$481.31
5L	Petrol driven goods vehicles 3,500kg or less	$62.13	$80.23	$90.70	$101.99
5H	Petrol driven goods vehicles over 3,500kg	$224.22	$257.72	$277.63	$298.98
6	Non-petrol driven passenger vehicles	$104.65	$106.73	$114.37	$122.54
7	Non-petrol driven tractors, vintage and veteran vehicles, and specified vehicles	$36.91	$58.76	$62.97	$67.47
8A	Non-petrol driven mopeds*	$113.98	$118.77	$126.12	$133.99
8B	Non-petrol driven motorcycles 600cc or less*	$312.56	$328.25	$350.65	$374.63
8C	Non-petrol driven motorcycles over 600cc*	$411.83	$432.97	$462.89	$494.93
9L	Non-petrol driven goods vehicles 3,500kg or less	$120.75	$136.90	$146.69	$157.17
9H	Non-petrol driven goods vehicles over 3,500kg	$241.80	$275.41	$295.11	$316.21

* excludes the Motorcycle Safety Levy

[1] Following public feedback on a proposed subsidised rate for electric vehicles, ACC revised its recommendation for the class 2a light electric vehicle levy so that electric vehicles would pay the same rate as other non-petrol powered vehicles (i.e. $122.54) by 2024/25. However, to align with the decision to extend the Road User Charges exemption for light electric vehicles until 31 March 2024 as part of the Clean Car Package, I recommend retaining the current subsidised rate for electric vehicles. This would be subject to further review as part of the 2024 levy setting round.

Motor Vehicle Class Rates under MBIE's recommended average levy rates

		Current	2023	2024	2025
Average levy		$113.94	$113.94	$113.94	$113.94
Motor Vehicle Class Levies payable when the vehicle is relicensed each year					
2	Petrol driven passenger vehicles	$46.04	$40.59	$41.27	$42.09
2A	Light electric vehicles	$46.04	$40.59	$41.27	$42.09
3	Petrol driven tractors, vintage and veteran vehicles, and specified vehicles	$16.40	$22.35	$22.72	$23.17
4A	Petrol driven mopeds*	$99.33	$99.33	$99.33	$99.33
4B	Petrol driven motorcycles 600cc or less*	$297.91	$297.91	$297.91	$297.91
4C	Petrol driven motorcycles over 600cc*	$397.18	$397.18	$397.18	$397.18
5L	Petrol driven goods vehicles 3,500kg or less	$62.13	$73.08	$73.71	$74.46
5H	Petrol driven goods vehicles over 3,500kg	$224.22	$243.35	$243.45	$243.59
6	Non-petrol driven passenger vehicles	$104.65	$101.16	$101.12	$101.07
7	Non-petrol driven tractors, vintage and veteran vehicles, and specified vehicles	$36.91	$55.70	$55.67	$55.65
8A	Non-petrol driven mopeds*	$113.98	$113.32	$113.15	$112.95
8B	Non-petrol driven motorcycles 600cc or less*	$312.56	$311.90	$311.73	$311.53
8C	Non-petrol driven motorcycles over 600cc*	$411.83	$411.17	$411.00	$410.80
9L	Non-petrol driven goods vehicles 3,500kg or less	$120.75	$129.75	$129.69	$129.64
9H	Non-petrol driven goods vehicles over 3,500kg	$241.80	$261.04	$260.93	$260.81

* excludes the Motorcycle Safety Levy

Appendix 5: Proposed changes to specific Classification Units (CUs)

Proposed changes to specific Classification Units (CUs)

Proposed change	Reason for change	Impact of change	Public submissions relating to this change
Simplifying CUs relating to retail and wholesale trade			
Group all retail businesses (both store-based and non-store based) into different CUs based on the products they sell. Specifically: - disestablish CU 52595 ‘Non-store retailing’, and reclassify businesses in this CU based on the products they sell - rename CU 52590 ‘Store-based retailing (not elsewhere classified)’ to ‘Retailing (not elsewhere classified)’.	Currently non-store based retail businesses (such as online or market stall businesses) are grouped into the same CU and pay a flat Work levy rate of $0.34, however store-based retail businesses are grouped into different CUs based on the products they sell, and pay Work levy rates currently between $0.12 and $1.52. The proposed change would ensure that the Work levy non-store based retail businesses pay reflects the level of risk involved in handling the types of products they sell, aligning with the way the Work levies paid by store-based retail businesses are determined. It would also reflect the increased uptake of contactless sales methods.	Based on the current Work levy rates: - approximately 900 non-store based retail businesses would move to a higher risk-rated CU, paying an increased Work levy - approximately 1,200 non-store based retail businesses would move to a lower risk-rated CU, paying a decreased Work levy - approximately 550 non-store based retail businesses would remain in a similar CU risk group.	ACC received a total of 14 public submissions relating to the retail and wholesale trade CU proposals, of which 100 per cent were supportive. The Motor Industry Association and Foodstuffs NZ are supportive of the proposal to group all retail businesses (both store-based and non-store based) into different CUs based on the products they sell, noting that this promotes fairness. The Motor Industry Association also noted, however, that there are potential differences in risk between online retail businesses and store-based retail businesses, as online retail businesses do not have a physical shop with staff and customers mingling amongst stock and equipment. They considered that this should be monitored.
Remove the distinction between commission-based retail and wholesale businesses from CUs. Specifically: - disestablish CU 52597 ‘Retail commission-based buying and/or selling’, and move businesses in this CU to CU 47991 - rename CU 47991 ‘Wholesaling – commission-based or excluding storage and handling of goods’ to ‘Trading – commission-based or excluding storage and handling of goods’	Currently commission-based retail and wholesale businesses are grouped into different CUs, despite sharing a similar risk profile. The proposed change would simplify the options for businesses when they select their CU, and result in these businesses paying a comparable Work levy rate to reflect that they share a similar risk profile.	Based on their recent claims history, moving commission-based retail and wholesale businesses to the same CU would result in them paying a decreased work levy rate: - approximately 2,200 commission-based wholesale businesses would pay a decreased Work levy rate - approximately 1,300 commission-based retail businesses would pay a decreased Work levy rate	

- rename LRG 331 'Commission-based Wholesaling' to 'Commission-based Trading'.			
Changing the way cricket players are classified			
Group all cricket professionals (both domestic and international) into the same CU. Specifically: - move CU 93174 'Sport and physical recreation – community cricket' from LRG 917 'Equine and Sporting Activities' (medium-high risk group) to LRG 911 'Sporting and Recreational Activities' (lower-risk group).	Currently all international cricket players are grouped into the professional cricket CU, while all domestic cricket players have been grouped into the community cricket CU. Many domestic cricket players play professionally, and therefore have a similar risk profile to international cricket players. The proposed change would lower the overall risk rating of the CU for community cricket organisations, allowing the CU to move to a lower risk LRG that better reflects their injury risk profile.	This proposal would: - decrease the Work levy rate paid by approximately 45 community cricket organisations - maintain a similar Work levy rate for all professional cricket players.	ACC received a total of 11 public submissions relating to the cricket CU proposals, of which 100 per cent were supportive. New Zealand Cricket noted that they are supportive of this proposal.
Removing inconsistencies with the way prime contractors are classified			
A number of changes to CUs to allow prime contractors across the construction sector to pay the same levy rate. Specifically: - create a new CU 42595 'Construction services and property developers – all trades subcontracted' - remove CU 42592 'Building completion services – all trades subcontracted' - rename CU 77110 'Residential property operators and developers (excluding construction)' to 'Residential property operators' - rename CU 77120 'Non-residential property operators and developers	Currently there are inconsistencies with the way businesses that offer construction services without directly employing trades professionals are classified. For example, prime contractors engaged in building completion services and property developers that sub-contract all trades work currently have their own CU and pay a lower levy than their sub-contractors. In comparison, prime contractors engaged in building installation or building structure services are levied based on the level of risk involved in the projects they work on, even when they sub-contract all trades work.	This proposal would: - decrease the Work levy rate paid by 600 businesses.	ACC received a total of 8 public submissions relating to the prime contractors CU proposal, of which 100 per cent were supportive. Manage Group noted that this proposal will more accurately reflect the risk carried by businesses that sub-contract all trades work. WorkSafe has previously noted that prime contractors have a considerable influence over how health and safety risks are managed and eliminated, and this has an impact on the risks faced by sub-contractors. WorkSafe commented that the proposed changes reduce the incentive for prime contractors to manage or eliminate downstream health and safety risks, and recommends that if these proposals are implemented,

(excluding construction)' to 'Non-residential property operators' - rename LRG 323 'Plumbing and building completion services' to 'Plumbing services' - rename LRG 673 'Property development and operation' to 'Property operation and subcontracted construction services'.	The proposed changes reflect that prime contractors do not directly employ trades professionals.		alternative incentives should be considered.

Appendix 6: Regulatory Impact Statement: Experience Rating – increase loading and add fatal modifier

Regulatory Impact Statement: Experience Rating – increase loading and add fatality modifier

Coversheet

Purpose of Document	
Decision sought:	The document provides an analysis of proposals to be put to Cabinet to amend the Accident Compensation (Experience Rating) Regulations 2019. These regulations provide for ACC to adjust a medium to large sized employers' ACC Work Account levy up or down in line with their claims experience. The analysis covers options for two proposals to increase the recognition of poor injury performance by employers, and thereby reduce subsidisation of employers with poor injury performance by other levy payers: 1. Better recognise poor performance by increasing the **maximum experience rating loading**: • Status quo – retain a maximum 75% loading • Increase the maximum loading to 100% (MBIE and ACC preferred option), and 2. Adding a **fatality modifier** to better recognise the impact of fatalities: • Status quo – retain current settings (MBIE's preferred option) • Impose a 20% levy loading in the first year after a fatal injury followed by a 10% loading in the second year (ACC's preferred option) • Treat each fatal injury like a serious injury requiring a year or more away from work, which would increase the levy by between zero and 80% depending on the size of the employer and rounding in the calculation.
Advising agency:	MBIE (with input from ACC as operational agency)
Proposing Ministers:	Minister for ACC
Date finalised:	19 November 2021

Problem Definition
ACC's Experience Rating Programme is intended to incentivise employers to delivery better health and safety outcomes by adjusting their employer levy based on past claims experience[1], while also reflecting the costs that employers with poorer claims experience impose on the Scheme. Analysis in 2014 suggested that Experience Rating did not

[1] Number and severity of injuries, rehabilitation performance.

appear to be delivering a material reduction in claims, and in some instances was not equitably reflecting the costs of employers' poor performance, to the detriment of better performers.

Initial reforms agreed in 2018 were implemented in 2020 to simplify Experience Rating so the incentives were clearer and make it more responsive to performance, but not to better reflect levels of employer performance (maximum loading and fatality modifier).

This means that Experience Rating:

- may not be providing sufficient incentive to employers to change their behaviour to improve injury performance
- is not reflecting the costs poor performing employers impose on the Scheme, and making better performing employers subsidise employers with poor injury performance.

Executive Summary

Experience Rating provides a financial incentive to employers to reduce workplace injuries and improve return to work times by adjusting their Work Account levy upwards or downwards, depending on past claims experience. This ensures that employers bear the costs to the Accident Compensation Scheme of injuries that occur at work. It also supports the overall the rationale of the levy system to collect sufficient levies, from those who are provided with cover, to fund the cover provided.

Four proposals were previously developed as part of a 2018 suite of changes to simplify and improve the effectiveness of the Experience Rating Programme following earlier analysis that appeared to show that generally the Experience Rating was not resulting in a reduction in claims, and was not always equitably distributing the cost of claims.

The proposals agreed in 2018 included improving the responsiveness of the levy adjustment calculation, removing a link to the outcomes of the employer's peers and lessening the influence of older claims.

The fourth category of proposals from the suite, to strengthen consequences of unwanted performance, was not fully agreed by Cabinet, as there were concerns about the lack of information on some aspects of the likely impacts. It was decided that further work would be done and that the remaining fourth category proposals be reconsidered at the next appropriate levy-related consultation.

The two parts of the proposal to strengthen incentives for employers, to now be considered, are to:

- increase the maximum experience rating loading (the addition to the standard levy) from 75% to 100%, and
- introduce a fatality modifier that increases the experience rating loading when a workplace fatality occurs.

Increasing the maximum loading from 75% to 100% will increase the levy imposed on a relatively small number of employers while lowering the average levy paid by everyone else by a little under one cent per $100 of liable earnings of employees. It will ensure ER distributes costs equitably, but it is uncertain whether it will lead to behaviour changes. MBIE recommends increasing the maximum loading to 100%.

Introducing a fatality modifier will increase the levy of a small number of employers because of the rarity of workplace fatalities, and so therefore will have only a marginal effect on the average levy for other employers. It will treat fatalities more equitably than the status quo, which treats them the same as minor injuries, but both of the options have the potential to over penalise some employers. It is uncertain whether it will lead to behaviour changes. Therefore, MBIE does not recommend a fatality modifier be implemented in the current ER system.

Limitations and Constraints on Analysis

The options analysed in the RIS focus on changes that could be made to the Experience Rating system:

- Under its current general policy parameters and operational settings – it does not consider any potential broader options for a ground-up review or reform of Experience Rating.
- To address the final two proposals in the *strengthening consequences* category of the suite of changes first considered by Cabinet in 2018 (see Section 2 of this RIS, page 8): maximum loadings and a fatality modifier.

Therefore, this RIS does not consider broader options to incentivise better employer health and safety performance, either in the Accident Compensation regulatory system or other systems.

In 2018 consideration of those two proposals was deferred as MBIE advised that it considered there was a lack of information on some aspects of the likely impacts.

MBIE now considers that further work carried out by ACC has provided adequate information to estimate the levy impacts of the proposed changes and a range of potential impacts on injury claims.

An analysis of the relevant portion of submissions from the ACC levy consultation for 2022/23 to 2024/25 levies helped inform the analysis in this paper.

Responsible Manager(s) (completed by relevant manager)

Hayden Fenwick
Manager Accident Compensation Policy
Ministry of Business, Innovation and Employment

18 November 2021

Quality Assurance (completed by QA panel)

Reviewing Agency:	Ministry of Business, Innovation and Employment
Panel Assessment & Comment:	MBIE's Regulatory Impact Analysis Review Panel has reviewed the Regulatory Impact Statement *'Experience Rating – increase loading and add fatality modifier'* prepared by MBIE. The Panel considers that this RIS **partially meets** the criteria necessary for Ministers to make informed decisions on the proposals in this paper. The key reason for this judgement are the limited options considered for the maximum experience rating loading coupled with limited statistical analysis presented on the equity impacts of each option. This limits confidence that the preferred maximum experienced rating loading is the best possible solution.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

What is Experience Rating?

1. Experience Rating is part of the ACC levy system.

2. In the levy system, broadly:
   - ACC actuarially calculate the lifetime costs of claims occurring in a year, and determine what they think the average levy rate across the Work Account should be to recover the costs of accidents at work.
   - This average rate for business levy payers contributing to the Work Account is then adjusted so it varies according to industry and Classification Units. These classifications are basically a measure of the risk rating determined for each industry.
   - This is then further modified by Experience Rating (“ER”), which applies levy discounts or loadings to an individual employer based on actual claims over the prior 3 years compared with other employers in their industry. This gives each firm’s final Work Account levy.

3. The Accident Compensation (Experience Rating) Regulations 2019 (the Regulations) provide the mechanism for ACC to adjust a medium to large employers’ ACC Work Account levy up or down in line with their injury claims experience.

What is it intended to achieve?

4. ER was introduced in April 2011 with the intention of:
   - providing a financial incentive to employers to reduce the number and severity of workplace injuries and improve return to work outcomes, and
   - improving the equity of the work account levy across employers, by ensuring the levy each employer pays reflects their health and safety performance and the likely costs to the AC Scheme.

5. Employers with very good claims experience receive levy discounts of up to 50%, while those with negative claims experience have a loading of up to 75% imposed.

How does it *operate* in practice?

6. The ER levy adjustment is now based on two key factors:

   - a rehabilitation component based on the employee compensation days an employer has per dollar of employee earnings, compared to other employers in the same sort of industry
   - a risk management component based on the number of employee claims (costing over $500) and deaths, per dollar of employee earnings, compared to other employers in the same sort of industry.

7. Those components are inputs to a formula that calculates a discount or loading that is rounded to the nearest 10% by the use of bands. The result can be a discount of up to 50% or a loading of up to 75%, on top of the standard levy. The steps for the calculation (which is carried out by ACC) are set out in the Regulations: https://www.legislation.govt.nz/regulation/public/2019/0038/latest/LMS158425.html

8. ER is compulsory, applying to medium and large employers (and groups of employers) who pay annual ACC levies of $10,000 or more (ie firms employing approximately 28 or more people on the average wage at the average levy rate).

9. ER applies to approximately 15,000 employers (3%), employing approximately 40% of the workforce.

10. Although ER is focused on medium to large employers, it is funded through a surcharge of just under 3 cents per $100 of liable earnings of employees by all employers liable for the employer levy, including small employers not subject to the programme. This is an addition to the aggregate levy, before adjustments are applied.

What does it *achieve* in practice?

11. An analysis of ER data performed by Sapere in 2014 failed to identify a statistically valid improvement in claims per employee. From this work it was concluded that while ER may have influenced behaviour in some cases it did not appear to be delivering a material reduction in claims.

12. Further, it was determined that design features of ER meant that poor performers were not bearing the cost of that performance through ER loadings, and that they were therefore being, at least in part, subsidised by better performers.

13. This led to further policy work by ACC on ER. A suite of four categories of proposed changes to simplify and improve the effectiveness of ER was proposed to Cabinet in 2018:
    1. Simplify the experience calculation
    2. Improve the responsiveness of the levy to changes made by a business
    3. Manage the increased levy volatility introduced by the above changes
    4. Strengthen consequences for unwanted performance

14. The then Minister for ACC proposed that the first three of the four categories of changes be introduced, and Cabinet agreed. The proposals adopted included improving the responsiveness of the levy adjustment calculation, removing a link to the outcomes of the employer's peers and lessening the influence of older claims

15. It was anticipated that Cabinet would reconsider decisions on the fourth category in conjunction with the next levy round.

What will happen if no change is made?

16. Without change, ER will continue to:
    - not be providing sufficient incentive to employers to change their behaviour to improve injury performance
    - not reflect the costs poor performing employers impose on the Scheme, and making better performing employers subsidise employers with poor injury performance

17. ACC has been running an annual campaign to promote awareness and understanding of ER. This includes proactive outreach to customers who are new to the programme and those whose claims experience is trending in a negative direction (high loading or 20+% shift) to provide relevant and timely insights to customers, so they have an increased

awareness and understanding of the impact of experience rating and their ability to take action to reverse the trend. This may influence employer behaviour.

What is the policy problem or opportunity?

ER was not achieving its intended outcomes

18. Analysis in 2014 suggested that ACC's Experience Rating Programme did not appear to be delivering a material reduction in claims, and that it wasn't equitably distributing the cost of claims in ER.

19. The research undertaken by ACC when introducing ER in 2011 found that for experience rating to positively impact the management of occupational health and safety the following should be met[2]:
    - The cost of insurance needs to be perceived as high in absolute terms. Rates above 1% or 2% of payroll appear to motivate employers
    - The value of discounts or loading needs to be perceived as high, either in absolute terms or relative to the firm's overall profitability. Typically, at least 25% of the normal levy.
    - Discounts or loadings need to be received within one to three years to influence firms
    - Rates varying greatly form one year to the next can aggravate employers
    - The motivational impact of experience rating can be diluted by factors such as competition between insurers, which can result in insurers offering lower rates regardless of actual claims

Changes agreed in 2018 addressed some of the identified issues

20. While initial reforms were implemented in 2020 to simplify ER and make it more responsive, there were no changes made to the way costs of claims were distributed between good and poor performers in ER.

But ER still does not adequately or equitably reflect the costs some employers impose

21. For ER to work as intended it is important that the programme provides sufficient incentive for employers to change their behaviour to improve worker safety, and sufficiently adjusts levies to make them better at reflecting the health and safety performance of employers.

22. The overall average employer levy is now 0.67% of payroll and has decreased from 1.15% of payroll since ACC's 2011 research. The current 75% maximum loading in Experience Rating will, on average, only bring the Work Account levy to 1.17% of payroll. Increasing the maximum loading to 100% will increase this figure a little more, to be significantly over 1%, at 1.34%.

The loading maximum is too low, likely not providing enough of an incentive while penalising good performers

23. The current limit of a 75% maximum loading means that an employer which has a claims history that is significantly worse than the average for similar employer is being subsidised by all other employers. The 75% maximum loading was chosen to ensure

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[2] Health and Safety Executive, *Changing business behaviour – would bearing the true costs of poor health and safety performance make a difference?* 2002

that employers were incentivised to improve their health and safety performance without over penalising them.

24. Given the limited incentive impact found by Sapere, it is likely that the 75% loading is too low, and that more weight should therefore be given to moving employers closer to the cost of their own claims and better balancing discounts and loadings within ER, reducing the cross-subsidisation from better performing employers.

Fatalities are treated the same as minor injuries, meaning some employers do not bear the costs of their performance

25. In calculating the ER adjustment there is currently no difference in effect between a fatal injury and any other employee work injury claim over $500 that doesn't result in time off work. This was an oversight in the initial design of ER. This means, for example, that a work-related fatality has the same impact on an employer's ER adjustment as a severely sprained ankle requiring $500 of medical treatment, even though a fatality (which is much rarer) is a much more severe consequence and cost on the AC Scheme.

26. There is also an inconsistency between the No Claims Discount programme, a simpler financial incentive scheme applying to smaller employers under the umbrella of experience rating, and the Experience Rating Programme applying to medium to larger employers. The No Claims Discount programme moves an employer between a discount of 10%, no discount and a loading of 10%, depending on claims and deaths.

What objectives are sought in relation to the policy problem?

27. There are two objectives relating to ER that are sought when seeking to solve the policy problems. These are to:

- make the employer levy more fairly reflect the costs imposed on the scheme by a particular employer, and
- provide sufficient financial incentive to drive employers to make changes that promote injury prevention and sustainable return to work outcomes.

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

28. The options for change are compared by evaluating them against the following criteria:

Primary criteria, aligned to ER objectives

a) *Equity:* Changes to the programme improves equity across employers by making the levy each employer pays more closely match their claims costs (weighted 30%); and

b) *Injury prevention & Sustainable Return to Work Outcomes:* Financial incentives influence employer behaviour which results in improved injury prevention and sustainable return to work outcomes for employees (weighted 30%).

Secondary criteria

c) *Administrative efficiency:* – administration is cost efficient for ACC and levy payers (weighted 20%); and,

d) *Risks:* Risk of unintended consequences and perverse outcomes is minimised (weighted 20%).

What scope will options be considered within?

29. The proposed changes to ER originate from the last of four proposals in a suite of changes previously put to Cabinet to simplify and improve the effectiveness of ER, following earlier analysis that appeared to show that generally ER was not resulting in a reduction in claims. The previous Minister had agreed to ACC doing work to improve the operation of ER within existing policy parameters, ie not a fundamental review, and not looking at other ways to achieve the outcomes that ER intends to achieve.

30. The suite of previous changes that were approved and put in place included improving the responsiveness of the levy adjustment calculation, removing a link to the outcomes of the employer's peers and lessening the influence of older claims.

31. The prior Minister did not, at that time, support the fourth category proposal in the suite, of increasing the consequences for poor performance, and left it for consideration at the next appropriate levy-related consultation.

32. For the reasons set out above, the scope of the options to be considered is limited to those that were developed for the original fourth proposal in the suite. These are able to fit into the existing ER system in a practical sense, and are already familiar to stakeholders.

33. The way ER calculations work, there are only two real options to more equitably reflect the impact of workplace fatalities within current settings (ie any other options would require a complete redesign of ER, which isn't in scope of this policy work), as outlined below at paragraph 35.

What options are being considered?

Maximum loadings

34. For increasing the maximum experience rating loading, only the proposal to increase the maximum loading from 75% to 100% (preferred by both MBE and ACC) and the status quo have been considered as options.

Fatality modifier

35. For the introduction of a fatality modifier, the following options have been considered:

- *Option 1 - Status quo:* retain the current experience rating calculation settings (**MBIE's** preferred approach)
- *Option 2 – Add a new fixed-step fatality modifier*: impose a new 20% levy loading in the first year after a fatal injury followed by a 10% loading in the second year (**ACC's** preferred approach)
- *Option 3 – Add fatalities to the rehabilitation component of the experience rating calculation*: treat each fatal injury like a serious injury requiring a year or more away from work, which would increase the loading so that the levy is increased by between zero and 80% depending on the size of the employer and rounding in the calculation.

Stakeholder views

36. Stakeholders were consulted by ACC as part of its consultation on levy rates for the next three-year period. Stakeholders had five weeks to make submissions, which had a deadline of 5 October 2021.

37. There were 44 submissions that addressed the proposal to increase the maximum loading. A majority of submitters (57%) supported raising the maximum amount levies can increase for employers in ER. These responses supported increased levies for poor health and safety performance, so that everyone is paying a fair rate and has an added incentive to develop and improve a culture of workplace safety.

38. Some respondents highlighted concerns regarding the potential to be penalised for factors outside of their control, and urged that more consideration be given to issues regarding the attribution of claims as workplace, or non-workplace injuries.

39. Manage Group stated in their submission that they consider employers do not understand the nuances of ER well enough in order for behavioural change to occur.

40. There were 45 submissions that addressed the fatality modifier proposal. Around half of submitters (47%) supported increasing the impact of a workplace fatality in ER. There was a sentiment expressed that workers and their whanau have the right to return home safely each day.

41. Many respondents emphasised the importance and responsibility employers have for ensuring workplace safety that prevents loss of life, and that the proposal would assist in driving workplace safety change.

42. Other respondents commented that while they support and encourage systems that improve workplace safety, they are concerned that the proposal could result in penalising employers for factors outside of their control. They would like a robust investigative process that considers fault and employee responsibility, and could focus on all incidents involving injury rather than just those that result in fatalities.

43. Some submitters note the potential blurring of responsibilities between ACC and WorkSafe that could result in a penalty being applied by ACC for a fatality despite the employer being fully compliant with the Health and Safety at Work Act and not liable for prosecution by WorkSafe.

44. Other submitters commented on issues of equity between small and large employers. This included highlighting the inconsistency of the option that would see smaller employers paying up to 80% more in levies while some larger employers would receive no increase. They also noted there should be equity with the No Claims Discount programme that is already established.

45. Overall, the larger stakeholders tended to advocate for ACC to provide more support and education to poorer performing employers (not an option that was developed for consultation, although ACC does provide education on ER as noted at paragraph 17) rather than penalising them.

46. There was little engagement with the third fatality modifier option of adding fatalities to the rehabilitation component of the ER calculation.

How do the options compare to the status quo/counterfactual?

1. Options assessment for increasing the maximum loading from 75% to 100%

Criteria for Assessment	Option 1: Status quo	Option 2: Increase maximum loading from 75% to 100%
Injury prevention & Sustainable Return to Work	**(0) Neutral** .	**(+?) May be positive but outcomes uncertain.** A more responsive programme is expected to send clearer price signals which may influence employer behaviour. However, it is likely that many employers do not understand or care about the nuances of the calculation well enough to react (which was a general claim made about experience rating in a submission by a major stakeholder).
Equity	**(0) Neutral**	**(+) Positive** The change will deliver a more differentiated loading for poor performers which will better reflect past claims costs. This will improve the fairness of the programme. It will reduce cross-subsidisation within ER. A majority of stakeholders supported the change.
Administrative efficiency	**(0) Neutral** .	**(0) Neutral** There may be some small additional administrative costs associated with implementation but no change in the ongoing costs of the programme.
Risks	**(0) Neutral**	**(0)Neutral to Low Risk:** There may be a small increase in the risk of claims suppression and disputation.
Net impact	**(0) Neutral**	**(0/+) Neutral to positive**

2. Options assessment for the introduction of a fatality modifier

Criteria for Assessment	Option 1: Status quo	Option 2: Add a new fixed-step fatality modifier	Option 3: Add fatalities to the rehabilitation component of experience rating
Injury prevention & Sustainable Return to Work	(0) Neutral	**(+?) May be positive but outcomes uncertain.** A clearer and larger penalty for fatalities may influence employer behaviour. However, fatalities are very rare and largely unpredictable, and employers will have other motivations like protecting their reputation and avoiding prosecution to prevent workplace deaths, so it is uncertain if deaths would drop. ACC considers a levy increase will be sufficient to change behaviour.	**(+?) May be positive but outcomes uncertain.** The possibility of a larger penalty for fatalities may influence employer behaviour. However, employers may not understand the change. Fatalities are also very rare, and employers are likely to have other motivations than financial to prevent workplace deaths, so it is uncertain if deaths will drop. ACC considers a levy increase will be sufficient to change behaviour.
Equity	(0) Neutral .	**(-/+?) Maybe positive but might be punitive** The change will generally better reflect claims costs, but for large employers it may become punitive (a claim made by some major stakeholders). Fairness will usually be improved but sometimes might be worsened. Just under half of submissions supported this option.	**(-/+?) Might be positive but might impose no loading** The change will better reflect claims costs although larger employers could sometimes have no loading imposed and the smallest of medium sized employers it applies to could pay up to 80% more. This will improve the fairness of the programme, but not in all circumstances. There was also no stakeholder support for this option.
Administrative efficiency	(0) Neutral .	**(0) Neutral** There may be some small additional administrative costs associated with implementation but no change in the ongoing costs of the programme.	**(0) Neutral** There may be some small additional administrative costs associated with implementation but no change in the ongoing costs of the programme.
Risks	(0) Neutral	**(0) Neutral** Unlikely to have any unintended consequences.	**(0) Neutral** Unlikely to have any unintended consequences.
Net impact	**(0)** **Neutral**	**(-/+?)** **Marginally negative to positive** Could be punitive in some circumstances.	**(-/+?)** **Marginally negative to positive** Calculation method means a fatality might sometimes impose no additional loading

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What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

Maximum loading

MBIE and ACC prefer option 2, increasing the maximum loading to 100%.

47. ACC's expectation is that the increased loading will encourage some employers to focus on their workplace safety to avoid receiving or continuing to receive a greater levy increase.

48. MBIE, given the uncertainty around the incentive effects of ER highlighted by the 2014 Sapere analysis, is not certain that there will be an ex-ante incentive effect, although it is marginally more likely than under a 75% loading

49. It is certain that equity will be increased by making the employer levy better reflect claims costs, which is why MBIE prefers this option to the status quo.

50. ACC estimate that 14% of 15,000 total employers in ER (usually medium-sized or large employers) would pay a higher levy as a result of this proposal. However, only 1% of employers would move up by more than one band (i.e. have a greater than 10% levy increase).

51. There are currently 31 employers with claims histories that are significantly worse than the average over the last three-year period. Their current experience rating adjustment, based on their claims histories, reflects the current maximum levy increase of 75%.

52. Under option 2:

- 14 of these employers would receive an 80% levy increase
- nine would move to a 90% levy increase
- eight would receive the new maximum levy increase of 100%.

53. The total increase in levies for employers expected to get an increased loading is estimated to be $8 million, which will be used to reduce the cost of the programme currently being met by all the other Work Account levy payers. More detail of how total levies are expected to reduce for each of the main customer types is given in **Table 1** below.

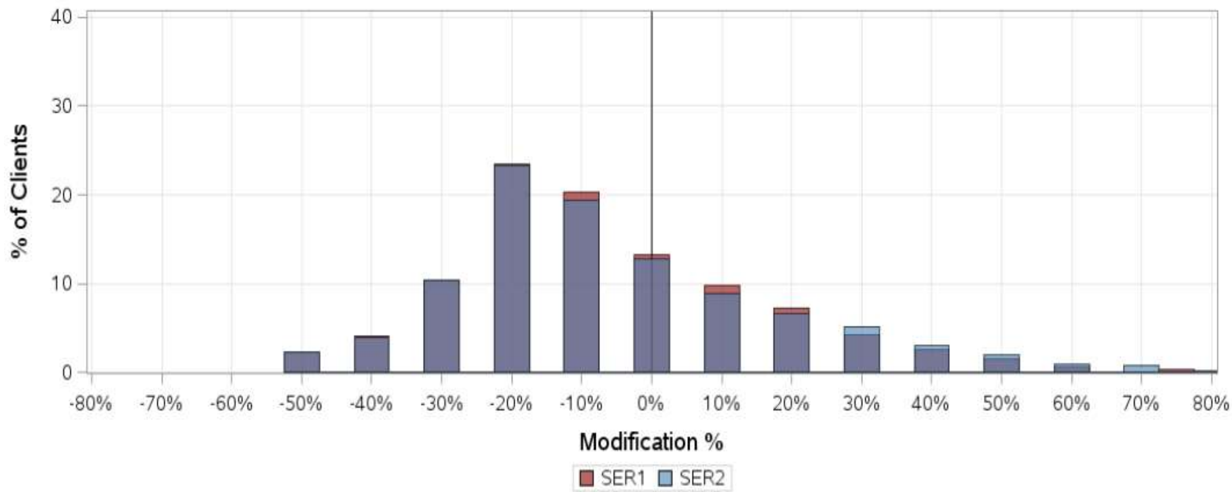
Table 1: Calculation of levy change by customer type

	Status quo ($m)	After proposed ER changes ($m)	Change ($m)
Employers in Experience Rating programme	16	12	-4
Employers in the No Claims Discount programme	10	8	-3
Other employers in the Work Account	5	4	-1
Total	**31**	**23**	**-8**

54. Modelling commissioned by ACC shows (in Figure 1 below) the change in the distribution of loadings from introducing a maximum loading of 100%:

Figure 1: Comparison of loading distribution under current and proposed loading maximum

The current (SER1) modifier distribution is shown in red and the proposed (SER2) distribution is overlaid in blue. Note that for most bands the SER1 and SER2 values are the same.



55. The overall average employer levy is now 0.67% of payroll and has decreased from 1.15% of payroll since ACC's 2011 research. The current 75% maximum loading in Experience Rating will, on average, only bring the Work Account levy to 1.17% of. Increasing the maximum loading to 100% will increase this figure a little more, to be significantly over 1%, at 1.34%.

56. ACC consider that this increase might provide sufficient incentive for employers change their behaviour to improve worker safety and reduce worker claims.

57. Both MBIE and ACC agree that the loading maximum change would also mean the employer levy better reflects the costs imposed on the scheme by particular employers and improves equity.

Fatality modifier

MBIE prefers the status quo because neither option 2 or 3 are consistently able to accurately reflect the cost of fatalities to the scheme and it is uncertain if they will cause any reduction in workplace deaths

58. MBIE considers it unlikely an ex-ante financial incentive will make a sufficient difference to employer behaviour to reduce workplace deaths, considering all the other factors in play and evidence about the impact of ER.

59. MBIE also considers that the limitations imposed by the current operationalisation of ER calculations means that neither option 2 nor option 3 will accurately reflect the costs of

fatalities to the AC Scheme, although both options could be argued to be more appropriate than treating a fatality in the same way as a minor injury.

60. If a fatality modifier is to be pursued further, MBIE considers more work needs to be done to determine a fair and effective way of treating fatalities, as part of a broader review to clarify the purpose and effectiveness of incentives under ER, compared to a more accurate allocation of costs.

ACC prefers Option 2, as it tends to improve the fairness of experience rating, although in some circumstances will make it punitive

61. Imposing a 20% loading on those larger employers who are in ER could increase their levy well in excess of the costs of a fatality to the AC Scheme. An example of a nearly $400,000 loading applying to a larger employer is outlined below. The consultation document did float the idea of cap to get around this problem, but that modification was not supported by stakeholders.

62. ACC anticipates levy increases resulting from fatal claims, should a fatality modifier be adopted, would impact only a handful of employers in ER each year (in an average year, ten employers in the programme have a fatal claim).

63. The levy adjustment for workplace fatalities:

- would only be applied once, to a maximum of 20%, regardless of the number of deaths at a workplace
- couldn't exceed the maximum levy increase for ER (ie the proposed 100% increase)
- would be excluded from rehabilitation and risk management components (used to assess an employer's claims history in the calculation) to ensure they're not counted twice
- wouldn't include any claims relating to an 'adverse event' such as an earthquake (the Minister for ACC may declare an adverse event in extreme situations).

64. The use of fixed adjustments (20% and 10%) under option 2 means the financial impact of a fatal injury is proportional to the size of the levy. A larger employer would pay a larger dollar amount.

65. **Table 2** below shows how the fatality modifier would apply to different sized employers in ER if they had one fatality in the most recent year. For example, an average employer paying over $1 million a year in Work Account levies would have an average additional levy amount of nearly $400,000 imposed in the first year if it had one fatality.

Table 2: How a 20% loading fatality modifier would apply to most recent year

2020 Work Account levy	Number of Employers	Average Fatality Adjustment (1st experience year ie 20%)
Up to $25,000	4,394	$3,274
$25,000.01 to $50,000	2,037	$6,975
$50,000.01 to $100,000	1,074	$13,877
$100,000.01 to $250,000	546	$30,336
$250,000.01 to $500,000	167	$67,247
$500,000.01 to $1,000,000	40	$130,565
Over $1,000,000	19	$395,995

66. As noted in the research supporting the introduction of experience rating in 2011, a significant change in levy rates can in theory have a motivational impact on employers. ACC considers that as both options for the introduction of a fatal modifier create significant increases in levies for employers, either might provide a sufficiently large signal to motivate improved health and safety behaviour by employers.

Neither MBIE nor ACC prefer Option 3, as it will, in some circumstances, impose no additional loading on an employer experiencing a workplace fatality

67. This option is not favoured by MBIE or ACC. While it tends to improve the fairness of ER by generally making the levy better reflect the costs imposed by a particular employer, analysis shows that large employers may receive little-to-no levy impact from a workplace fatality, where smaller employer might receive a significant loading.

What are the marginal costs and benefits of the preferred options?

Introducing a fatality modifier

68. MBIE's preferred option is to retain the status quo, so there are no marginal costs or benefits.

Maximum loadings

69. The marginal costs and benefits of MBIE's recommended option of increasing the maximum experience rating loading to 100% are outlined below.

4.1 Summary tables of costs and benefits

Affected parties *(identify)*	**Comment**: nature of cost or benefit (e.g. ongoing, one-off), evidence and assumption (e.g. compliance rates), risks	**Impact** *$m present value, for monetised impacts; high, medium or low for non-monetised impacts*
Additional costs of proposed approach, compared to taking no action		
Levy payers subject to programme with performance poor enough to attract extra loading	Increase in loading applied to those employers with poor claims performance: There are currently 31 employers with claims histories that are sufficiently worse than average over the last three-year period to warrant having their loading increased from the current maximum of 75% to between 80% and 100%.	Estimated additional loading: $8 million in total would be collected from poorly performing ER employers. This proposal is cost neutral to the AC Scheme.
Employees	Affects approximately 40% of workforce, or approximately 1.1M workers. Claims costs are expected to reduce marginally, but there is an increased risk some of this reduction is achieved through claims suppression rather than improved injury prevention and claims management. There is, however, little evidence of systemic claims suppression in New Zealand.	Low & uncertain.
All levy payers (including those not subject to programme)	Work Account levy payers not subject to an additional loading under ER will face no additional costs.	Nil.
ACC	Some administrative implications associated with implementation.	Low one-off costs.
WorkSafe	No administrative implications.	No costs.
Total Monetised Cost		$8 million.
Non-monetised costs		*Low.*

Affected parties *(identify)*	**Comment**: nature of cost or benefit (e.g. ongoing, one-off), evidence and assumption (e.g. compliance rates), risks	**Impact** *$m present value, for monetised impacts; high, medium or low for non-monetised impacts*
Expected benefits of proposed approach, compared to taking no action		
Levy payers subject to programme but not attracting extra loading	Those not subject to the additional loading will get the decrease in average levies given to all Work Account levy payers as outlined below.	Counted in all levy payers row below.
Employees	May be marginal claims reduction through better injury prevention and reduced claims cost from earlier sustainable return to work outcomes.	Low & uncertain.
All levy payers (including those not subject to programme)	All Work Account levy payers not subject to an additional loading under ER will get an average levy decrease a little under 1 cent per $100 of liable earnings.	Estimated total reduction in cost of ER across all employers: $8M This proposal is cost neutral to the AC Scheme.
ACC & WorkSafe	Possible reduction in incidence of injury and a reduction in the impact of injury on the community (including economic, social and personal costs).	Low & uncertain.
WorkSafe & Wider Government	Possible improved compliance with Health & Safety legislative requirements.	Low & uncertain.
Total Monetised Benefit		$8 million.
Non-monetised benefits		*Low.*

Risks of preferred option

70. Providing financial incentives for lower injury rates can encourage employers to make changes to the work environment to lessen the chances of injury although at some point they may become excessive, and they might also encourage the suppression of injury claims.

71. Two New Zealand evaluations (MBIE, 2015; and, Colmar Brunton Research, 2014) concluded, however, New Zealand's ER had not resulted in claims suppression or under-reporting because employers perceived the risks of getting caught outweighed any potential benefit.

72. The evaluations mentioned above did not assess whether employers would expect claims suppression to increase in New Zealand if the levy discounts or loadings were larger. MBIE's Report noted that employers' lack of understanding of ER and the relatively low financial incentives on offer means it may not be fully factored into decisions on lodging claims.

Section 3: Delivering an option

How will the new arrangements be implemented?

73. If the Minister for ACC and Cabinet approve implementation of any options that are not maintaining the status quo, then:

- the Accident Compensation (Experience Rating) Regulations 2019 will need to be updated and come into effect from 1 April 2022, with changes to levies starting to apply to levies calculated for the following year.
- If a fatality modifier is approved, then it will apply from the year commencing 1 April 2023 to ensure employers have sufficient notice of this more substantial change.
- ACC will need to develop and execute an implementation and risk management plan, that includes a communications strategy that ensures employers understand:
  - the impact of the proposed experience rating changes; and,
  - the opportunities available to them to improve their claims experience.
- ACC will need to evaluate the impact of programme's changes and, in consultation with MBIE, progress any further design work that might be required to further improve the programme.

74. ACC will be responsible for the ongoing delivery of the Experience Rating Programme.

75. In the event that the Government decides to retain the Experience Rating Programme in its current form, by choosing both the status quo options, the Experience Rating Regulations will still need to be updated to ensure they continue to apply to future years.

How will the new arrangements be monitored, evaluated, and reviewed?

76. ACC is responsible for monitoring and reporting on the Experience Rating Programme to its Board and the Minister for ACC.

77. We anticipate that ACC will develop key process and outcome indicators that will provide the basis for confirming that any agreed changes are properly implemented and determining whether they have a positive impact on scheme outcomes.

Appendix 7: 2021 Levy Consultation Analysis of submissions on consultation proposals for the 2022/23 - 2024/25 levy period

PREVENTION. CARE. RECOVERY.
Te Kaporeihana Āwhina Hunga Whara

2021 Levy Consultation

Analysis of submissions on consultation proposals for the 2022/23 - 2024/25 levy period

28 October 2021

Contents

Foreword

ACC is the world's only no-fault, comprehensive personal accident compensation scheme. Levies are critical in allowing us to provide New Zealanders with this world-class scheme that helps protect our way of life.

Each year ACC manage approximately two million claims.

As part of managing a successful scheme for accident prevention, care and recovery, ACC must consider the long-term nature of funding some claims, no matter how long a person needs our support. We're required to collect enough money to support the total costs of new injuries. We also need to provide levy payers with reasonable stability of levy rates over time.

Each of our levied Accounts – the Motor Vehicle Account (for road injuries), the Work Account (for work injuries) and Earners' Account (for injuries outside of work for those employed) – currently have funds that exceed the costs of supporting existing injuries. But last year, ACC collected $3.24 billion through levies while the total costs of that year's injuries are expected to be $4.63 billion (a $1.39 billion shortfall). Continuing to collect levies which don't meet the cost of injuries each year is not sustainable over the long-term.

ACC's strong investment performance allows us to slow the growth of the levy rates, but this isn't enough to keep levies at the current level. We need to start closing this funding gap to avoid future generations having to pick up the bill for today's injuries.

This year's levy consultation received 1,273 submissions across the 12 different consultation proposals. This report describes the themes from consultation and outlines feedback on the current levy setting proposals. It also reflects on suggestions for improvements to the Scheme now and over the longer term.

The submissions we have received tell us that levy payers value a fair and equitable levy collection system. They have also said that there are improvements that could be made to how we collect levies more equitably for Māori and Pacific peoples, and fairer in general.

As noted in some of the submissions, to achieve this we will have to consider new ways of collecting levies – possibly grouping levy payers in new ways to better reflect what they do and the risks posed to them or their workers, and even thinking about the benefits of better understanding individual situations when setting a levy.

These submissions help us understand what matters most to levy payers. Making fundmental change to the levy collection system may require changes to the policies and legislation the govern the ACC Scheme. We believe these areas warrant further investigation with the Ministry of Business, Innovation & Employment and the Minister for ACC as part of our future work programme.

Thank you to all the people and organisations that took the time to make a submission in this levy consulation round.

We are certainly up for the challenge of thinking differently about how we collect levies. We will use the next three years to work with Māori, stakeholders, and levy payers to develop new approaches to levy collection that might be included as proposals in the 2024 levy consultation round.

Paul Gimblett

Head of Levies, ACC

Executive Summary

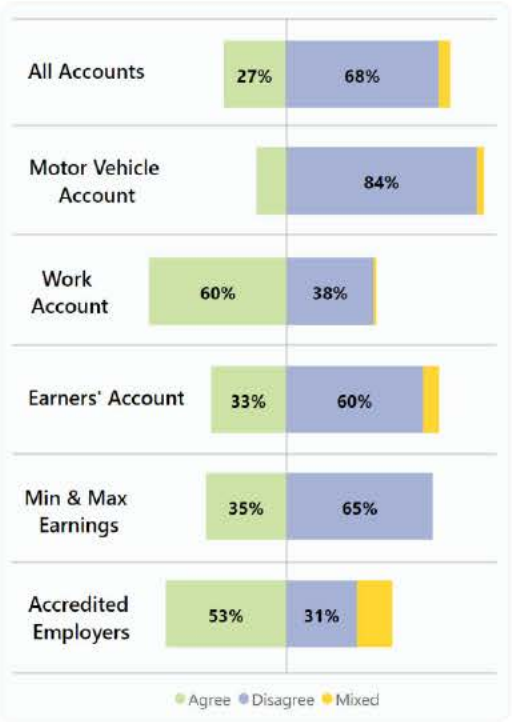
This report details the submission analysis for ACC's 2021 Levy Consultation, which took place between 1 September and 5 October 2021. Analysis of public and stakeholder submissions is provided, describing aggregated themes and submissions from representative groups, as well as ACC's responses and recommendations. We received a total of **1,273 submissions** over the consultation period.

Many submissions disagreed with the proposed levy increases but supported the recommended decreases. However, that wasn't universal and we saw that levy payers' engagement in levy consultation was heavily influenced by their perception of scheme value and the fairness and equity of levy collection. The structured and significant submissions went into more detail to provide context behind their position on the levy rates and provide recommendations to improve the levy system. Three key themes emerged from the consultation:

- Improve the fairness and equity in how ACC collects its levy
- The timing of proposed increases is poor, as households are struggling
- Levies as a lever, not only for harm reduction but also to support wider outcomes for New Zealand such as our aspirations for the climate or wellbeing.

Have your say on your ACC levies

Changes to levy rates and levy settings, which ACC is legally required to consult on.



Overall, submitters disagree (68%) with the proposed changes to aggregate levy rates for the 2022/23 – 2024/25 levy period. Of the five levy rate and levy setting proposals we consulted on, four received mixed feedback from submitters. The proposed increase to the Motor Vehicle levy received considerable disagreement.

- Motorcyclists were especially vocal as they feel unfairly targetted.
- Some submissions suggested a single levy across three years would provide more stability.
- Some submissions requested a greater consideration of individual risk factors for levy payers.

ACC's Experience Rating proposals

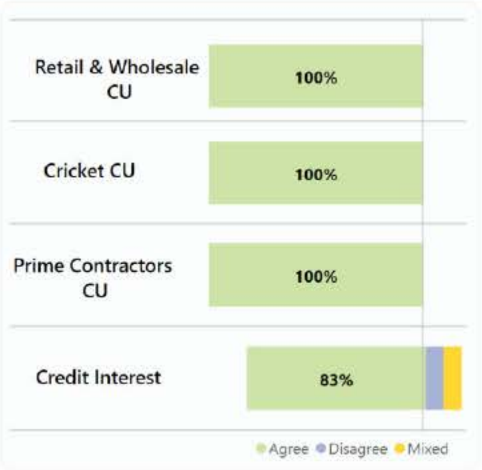
Proposals for Experience Rating regulations, which ACC is legally required to consult on.

Submitters broadly supported the intention for employers with poor health and safety performance to pay a higher levy.

Half of submitters support increasing the financial impact of a workplace fatality in the Experience Rating Programme.

Minister for ACC's proposals

Changes to levy policy, which are the Minister's proposals.



All of the Minister for ACC's proposals were met with support from submitters.

117

Submitters think motorcycle levies are unfairly high, particularly when others may be the cause of the accident

72

Submitters want levies to be based on individual risk factors

41

Submitters think ACC should seek a levy contribution from road users who sustain injuries but do not currently pay Motor Vehicle levies, such as e-scooter users and cyclists

35

Submitters feel rising levy costs coupled with increases in the costs of living disproportionately impact people on lower incomes

34

Submitters suggested other Levies should be introduced to cover costs, especially for people who play sports and risk serious injury

33

Submitters mentioned that owning multiple vehicles does not expose owners to greater risk

30

Submissions considered the wider impact of levies on New Zealand

27

Submissions mentioned Electric Vehicles. Feedback differed on whether Electric Vehicles should have the same levies as petrol vehicles

23

Submitters mentioned Next Generation Case Management and access to ACC services

21

Submitters want petrol levies to be higher and the registration portion to be lower

20

Submitters feel that ACC lacks transparency

20

Submitters think it is unfair off-road vehicles and farm bikes don't pay the same levies as road bikes

20

Submitters are concerned about scheme equity for priority populations

16

Submitters supported ACC efforts to incentivise motorcycle safety by reducing the cost of training courses and gear

15

Submissions supported incentivising driver safety by reducing the cost of training courses and vehicles

15

Submitters thought the proposed balance of how much motorcyclists pay and car drivers pay is about right

Key Findings

Have your say on your ACC levies

Proposal	What do you think of our proposed changes to levy rates?

Key Question

Let us know what you think of the proposed increases, which maintain levies 15-43% below the true cost of injuries

A majority (68%) disagree with the proposed changes to levy rates. Common concerns included:

- Rising levy costs coupled with increases in the cost of living. This disproportionately impact people on lower incomes.
- A lack of Scheme equity for priority populations.
- Next Generation Case Management makes it more difficult to access ACC services, meanwhile levy obligations continue to increase.
- The perception that ACC's investment portfolio and surplus funding should be sufficient to absorb rising cost pressures.

Proposal	Should we increase the average levy for road injuries?

Key Question

We propose increasing the average levy rate for motor vehicles from $113.94 to $120.20 next year and then gradually increasing it to $138.08 over the following two years. What do you think about the proposed increases?

Most submitters (84%) disagree with the proposed increase to the average Motor Vehicle levy:

- Motorcyclists were especially vocal as they feel motorcycle levies are unfairly high, particularly when other road users may be the cause of an accident.
- Many suggested levies should be based on individual risk factors, rather than motor vehicle type or the number of vehicles owned.
- Submitters suggested ACC should seek a levy contribution from road users who sustain injuries but do not currently pay levies (such as e-scooter users and cyclists).
- Submitters were concerned that levy increases may disincentivise transport options that are more environmentally friendly and could be better targeted to improve broader social wellbeing.
- Feedback on whether electric vehicles should have the same levies as petrol vehicles was mixed.

Proposal	Should we decrease the average levy for work injuries?

Key Question

We propose decreasing the average levy rate for businesses to $0.63 per $100 of liable earnings next year with small increases over the following two years. What do you think?

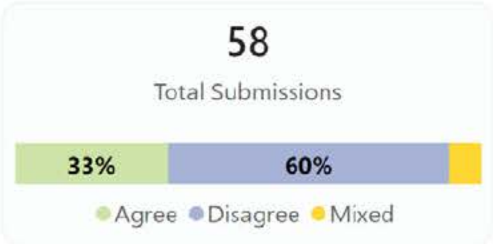
Most submitters (60%) support the proposed decrease to the Work levy.

- Employers welcomed the decrease, especially given COVID-19 and the current economic environment.
- Submitters had concerns around Next Generation Case Management resulting in a delayed return to work and higher costs which are being passed on to employers.
- Submitters valued longer-term levy forecasting by ACC as it supports businesses to manage budgets more effectively.
- Submitters think ACC could improve how it supports efficient return to work for injured workers using a holistic approach.

Proposal	Should we increase the levy for non-work injuries?

Key Question

We propose increasing the levy rate for earners from $1.21 per $100 of liable earnings to $1.27-$1.39 per $100 liable earnings over the next three years. What do you think about the proposed increases?



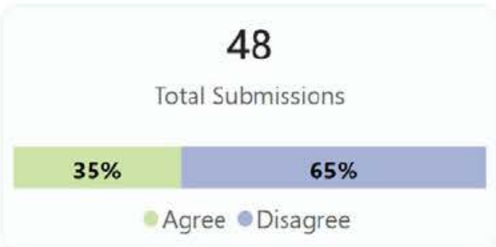
A majority of submitters (60%) disagree with the proposed increase to the Earners levy.

- Submitters suggested the Earners' levy should be based on individual risk factors, by introducing categories and incentives in line with other levied Accounts.
- Submitters were interested in ways to reduce the cost of injuries and reduce the number of injuries over time.
- Submitters were concerned about scheme equity for priority populations.

Proposal	Should we increase the maximum and minimum earnings we levy?

Key Question

What do you think of our proposal to increase the maximum and minimum liable earnings?



A majority of submitters (65%) oppose the proposed increase to the threshold for maximum and minimum earnings.

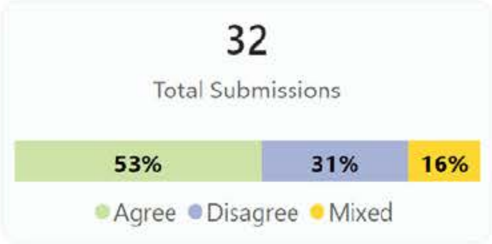
- Many advocated for an increase in the maximum much greater than that in the proposal or the removal of the maximum threshold entirely.
- The existence of a maximum is perceived to be unfair to low- and middle-income earners.
- Submitters were concerned that rising levy costs coupled with increases in the cost of living disproportionately impact people on lower incomes.

Proposal

What do you think of our proposed changes to the Accredited Employer Programme?

Key Question

What do you think of our proposed changes to fees for the Accredited Employers Programme?



Just over half of submitters (53%) agreed with the proposed fee changes to the Accredited Employers Programme.

- Accredited employers voiced frustrations around their partnership with ACC, administrative burden, and claims management.
- Submitters called for more transparency as to how ACC calculated costs, especially concerning the administration fee.

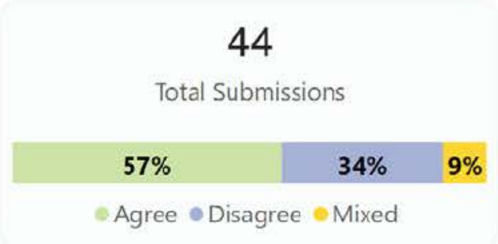
ACC's Experience Rating (ER) proposals

Proposal

Should we raise the maximum amount levies can increase for businesses in the ER Programme?

Key Question

What do you think of our proposal to change the maximum adjustment for a levy increase in Experience Rating from 75% to 100%?



A majority of submitters (57%) support raising the maximum amount levies can increase for businesses in the ER Programme.

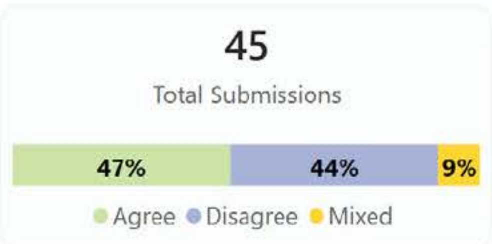
- Submitters support a system of incentives that promotes safety culture by rewarding safe businesses and imposing penalties for poor health and safety performance.
- Employers are concerned they may be penalised for accidents that they considered were not within their control to prevent.

Proposal

Should we increase the impact of a workplace fatality in the ER Programme?

Key Question

Do you have any comments on the options considered to increase the impact of a workplace fatality in the Experience Rating programme?



Half of submitters support increasing the impact of a workplace fatality in the ER Programme, although some would like to see an investigative process.

- Submitters support incentives that promote a health and safety culture that values human life.
- Employers are concerned they may be penalised for accidents that are outside of their control.
- Employers are concerned about blurring the responsibilities between ACC and WorkSafe, and being penalised for the same event twice.

Minister for ACC proposals

Proposal

Should the Minister change how non-store retailers and commission-based sellers are classified?

Key Question

Should ACC classify non-store retailers based on the type of products they sell, the same way as store-based retailers?

14
Total Submissions
100%
Agree

There is strong support for the Minister's proposal regarding the classification of non-store retailers.

- Submitters feel it is fairer to levy based on the risk of handling different goods.
- Submitters think the change will remove an advantage online-only retailers had over "brick and mortar" businesses they compete with.

Proposal

Should the Minister change how community cricket associations are classified?

Key Question

Should all cricket professionals belong to the same CU? This would allow the CU for community cricket associations to pay a lower levy rate, while professional players (domestic and international) would pay a rate similar to what they pay today.

11
Total Submissions
100%
Agree

All submissions agreed with this proposal.

Proposal

Should the Minister change the levy rate for prime contractors?

Key Question

Should prime contractors all pay the same levy rate?

8
Total Submissions
100%
Agree

All submissions agreed with this proposal.

Proposal	Should the Minister update the credit interest payable on provisional levies?
Key Question Should we update the credit interest payable on provisional levies?	Most submissions agreed with this proposal.

Purpose

This report details the submission analysis for ACC's 2021 Levy Consultation.

Analysis of public and stakeholder submissions is provided, describing aggregated themes and feedback from submitters, as well as ACC's response and recommendations.

This report also provides you with an overview of the engagement approach and methodology that guides our analysis of public and stakeholder submissions.

An analysis of the general engagement and feedback we received from the Shape Your ACC (SYA) website is detailed in Appendices 1 - 5.

The 2021 Levy Consultation

The 2021 Levy Consultation took place between 1 September and 5 October 2021.

We asked the public to provide submissions on 12 different proposals, covering the Work Account, Earners' Account and the Motor Vehicle Account. This year we split our proposals across three areas of consultation:

1. **Have your say on your ACC levies:** changes to levy rates and levy settings, which the ACC Board is legally required to consult on
2. **Experience Rating proposals:** changes to Experience Rating regulations, which the ACC Board is legally required to consult on.
3. **Minister for ACC's proposals:** changes to levy policies, which are the Minister's proposals.

We received a total of **1,273** submissions over the consultation period, including 397 structured submissions providing detailed feedback on individual proposals and 33 significant, long-form submissions received via email.[1]

Submissions were received via the Shape Your ACC website and email. No submissions were received via post.

ACC's Response

Levy setting

The primary purpose of levy consultation is to set levy rates at the appropriate level for the coming levy period, i.e. 2022/23 – 2024/25.

The average, or 'aggregate', levy rates are determined by the government's Funding Policy Statement for ACC[2]. The funding policy requires ACC to consult on and recommend levy rates that:

- Ensure levies meet the lifetime cost of injuries.
- Meet the government's funding target for ACC.
- Spread necessary changes over ten years.
- Cap annual increases.

While ACC cannot recommend changes to the aggregate levy rate that do not align with the Funding Policy Statement, levy payers' feedback will be presented to the Minister who can consider factors outside of the Funding Policy Statement before making decisions about the appropriate funding levels for ACC.

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[1] A single significant submission may comment on multiple proposals. This is treated as one submission for the total count.
[2] Funding Policy Statement in Relation to the Funding of ACC's Levied Accounts - 2021-go1226 - New Zealand Gazette

ACC does review the detailed levy rates, i.e. how to collect levy rates between different levy payers, following consultation. ACC considers actuarial evidence and analysis to inform its recommendations.

Levy-related proposals

The secondary purpose of levy consultation was to consider other levy-related opportunities. ACC has consulted on proposed changes to Experience Rating and will consider this feedback before making recommendations to the Minister for ACC. The Ministry of Business, Innovation & Employment will consider feedback on the Minister's levy-related proposals and advise the Minister.

Future opportunities for the levy system

In addition, levy payers often raise other considerations or make specific recommendations about how to improve the ACC Scheme and the role of levies within that. Responses are structured as follows:

- Where ACC is already doing specific work in this space, we have drawn a connection to this.
- Where applicable for levies, this feedback might be considered as part of ACC's future levies strategy and work programme. This will involve working with levy payers and taking an evidence-based approach to identify opportunities for improvement. Identified options may require regulatory or legislative change, necessitating a strong partnership with the Ministry of Business, Innovation & Employment, and/or other government agencies. At minimum, these opportunities are likely to require further public consultation. If legislative change is required it may take several years to progress to consultation.
- Many of the specific suggestions received are not possible under current legislative settings. Exploring some of these areas may necessitate a much longer-term all-of-government programme of work. This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.

This feedback is acknowledged by ACC and where applicable for levies it will be considered as part of ACC's future levies strategy and work programme.

Aggregate levy rate proposals - all Accounts

What do you think of our proposed changes to levy rates?

Let us know what you think of the proposed increases, which maintain levies 15-43% below the true cost of injuries.

Approximately two thirds of respondents (68%) disagree with the general proposal that summarised the proposed aggregate levy rate changes for each of the Motor Vehicle, Work and Earners' levy Accounts.

Supporters of the proposed changes often expressed their appreciation for the ACC Scheme and acknowledged the need to fund it properly. They acknowledged that the capped increases and ability to offset immediate cost pressures limited the financial shock that otherwise larger increases might have had.

Many respondents also highlighted the rising costs of living, noting the economic impact of the COVID-19 pandemic and the current financial difficulties experienced by levy payers. They were concerned about how the proposed adjustments to levy rates would further impact these costs.

ACC RESPONSE	This feedback is acknowledged by ACC. The government has set a funding policy statement which defines how ACC should calculate levies when recommending future levy rates. Each year we're required to collect enough money to support the total costs of new injuries. In this way we don't have to pass the costs on to future generations, no matter how long a person needs our support. Last year, ACC collected \$3.24 billion through levies, but the total costs of that year's injuries are expected to be \$4.63 billion. Continuing to collect levies which don't meet the cost of injuries each year is not sustainable over the long-term. We only collect what we need. As the Accounts have surplus funds, we're able to use part of that surplus to fund the costs of new injuries. \$2.8 billion of the surplus funds across the Accounts will be used to keep levies low over the next three years. In addition, annual levy increases are capped which

"I think it is disgraceful that you want to increase levies at the same time as you make accessing your services and entitlements harder with all of the new system changes."

"ACC makes enough money and each year people pay into this fund. Quite often in more than one way… Employees have enough money taken out of our wages to subsidise the country already."

"If the small increases over each year is going to save people from injury or a fatal injury, then I think it's a no brainer."

"People are out of work in this pandemic or working reduced hours. Petrol has gone up and food is through the roof. Try putting yourself in a struggling [family's] position."

"I think this move is acceptable noting that financially this may be prohibitive in the current market for lower income families to sustain."

	will reduce levies by a further $801 million for the Earners' and Motor Vehicle Accounts.

Some responses indicated a perception of ACC's historic surplus and investment funding, with submitters connecting these notions to the levy rate proposals.

ACC RESPONSE	$2.80 billion of surplus funds across the Accounts will be used to lower levies over the next three years. However, the amount of funding in the Accounts – each covering injuries sustained in different settings – is highly sensitive to economic change and is also dependent on our investment performance. We take a long-term focus in setting levies and aim to collect the right amount over time, to ensure consistency and stability.

Some responses also referred directly to a sense of increased difficulties accessing timely entitlements and services under ACC's Next Generation Case Management. This often provided justification for the lack of support of the proposed levy rate increases, or provided as a caveat alongside an acknowledgement of the need to fully fund the Scheme.

ACC RESPONSE	ACC's new model of case management is seeking to improve outcomes for injured people by focussing our specialist resources in places where it helps the most and empowering clients and providers to make good decisions without the need to check in with ACC. While the roll-out of the new model has taken 12 months, the new ways of thinking and acting will take time to embed fully. We recognise there are improvements to make and we have been focussing on how we engage all parties early on in the rehabilitation process for an injured worker. This effort is showing a sustained impact on rehabilitation. We continue to make improvements to how calls are managed which has resulted in reduced wait times and improved customer satisfaction results.

Some respondents also commented on ACC specific organisational considerations, including difficulties understanding ACC's purpose and transparency in how levies are set and spent. Levy payers would like to see a stronger connection between levies and wider societal or government-led initiatives.

ACC RESPONSE	This feedback is acknowledged by ACC and where applicable for levies it will be considered as part of ACC's future levies strategy and work programme.

"How much do you earn from your investments? Heaps. Take it out of there."

"We hardly seem to get covered now by ACC…why do you need to increase it?"

"If you need to increase levies to provide comprehensive support then do it, but research shows you run an inequitable racist service whereby women, Māori and Pasifika don't get the same level of support or consideration or cover once injured from you."

"ACC is an excellent service, I don't mind paying extra for a service that I know will have my back."

"Isn't it about time the government and associated companies learnt to budget better… 5 years ago you had billions in excess. Where did that all go?"

"…the system needs to be fairer and more equitable for all - and more importantly ACC need to spend their funds more wisely."

Submitters also call on ACC to give more weight or consideration to personalised levy rates that are reflective of risk factors, or claim profiles for levy payers.

"..It's too complicated, too misunderstood and too hard to access for some groups such as Māori. A more fundamental change is needed."

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.

Submitters raised concerns regarding issues of equity and access affecting the ACC Scheme, particularly for Māori and Pacific Peoples and called for more improvement in this area.

ACC RESPONSE	In Aotearoa New Zealand, equity has been defined by a commitment to equal rights, a safety net that protects the vulnerable, and the opportunity to participate in society. Increasing equity means building the capabilities and opportunities of individuals to participate in society in a way that they value. All three articles of Te Tiriti O Waitangi are relevant to how ACC strives for equity: Article One (Kāwanatanga): we act as responsible stewards of the ACC Scheme, including delivery that responds to the needs of Māori. As part of our commitment to improving Māori clients' options, experience, and outcomes, a fund was established for kaupapa Māori health services, creating new opportunities for Māori providers. We are enabling better access to rongoā Māori (traditional Māori healing) and supporting further programmes through a Māori-specific injury prevention investment portfolio. Article Two (Rangatiratanga): we have a responsibility to enable Māori to exercise their authority over their own health and wellbeing through equitable decision-making. ACC is working to ensure services designed by Māori, with Māori, and for Māori, are available for all injured New Zealanders. ACC has also established the rōpū Pae Ora, including the Māori Cultural and Capability team to which ten roles have recently been added, to support our Māori and Pasifika communities. Article Three (Ōritetanga): we must work to achieve equitable health outcomes for Māori. ACC is developing a Māori outcomes conceptual framework and is in phase two of collecting data and testing at service level. The Hāpai initiative is in the implementation phase, improving Māori client claims experience at the front line, and adapting or creating new services for Māori with significant and ongoing needs.

A Head of Equity Strategy and Delivery role has been established within the rōpū Pae Ora, which includes exploring a targeted programme of work for Pasifika and the establishment of an engagement framework with iwi, hapū and Māori businesses. ACC is increasing its focus on ensuring the appropriate application of te Tiriti for Māori and all ethnic communities, including Pacific peoples.	

SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
BusinessNZ: expressed broad support for proposed levy changes to the Work, Earners' and Motor Vehicle Accounts, indicating that they should proceed, but be subject to consideration of the following recommendations for the Funding Policy Statement that governs how ACC calculates levy proposals: • the 10-year time frame to smooth the impact of any levy proposals be reduced to between 2-5 years to ensure the rates facing premium-payers are not unnecessarily distorted and more accurately reflect the true costs of the various ACC accounts. • caps on aggregate levy rate changes should be set at a much higher level than the current 5 percent to ensure the risk of over or under-funding is minimised.	This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.
Manage Group: provided a detailed response that raised concerns about the fairness and consistency across the various Accounts. Whilst they understand (and generally support) the proposal to increase levies in response to rising claim costs, there is concern that these increases impact employers more than any other party. These concerns can be summarised as issues of parity between the Accounts, employers, workers and adjustments made to certain classification units that are not necessarily reflected in the proposed reduction to the Work levy. They have noted that ACC has not achieved the levy cost reductions targets communicated during the previous consultation, which is linked to a failure in achieving the injury reduction results previously anticipated. Calls to see more clarity and analysis of claims data respective to classification units that can be more easily understood by levy payers and more transparency around the efficacy of injury prevention initiatives and the impact they have on decreasing claims volumes and costs are recommended.	This feedback is acknowledged by ACC.
Employers & Manufacturers Association (EMA): raised concerns regarding expected increases to workplace costs as described in the *Account Pricing for Consultation* documentation. These concerns specifically relate to employers funding the Work Account, yet are not part of the new claims management process. EMA recommends that the *Supporting our Clients* process be reviewed to	This feedback is acknowledged by ACC.

specifically include employers for any workplace claim that is lodged with ACC from the earliest time possible.	
Rural Contractors New Zealand (RCNZ): was received via *The ACC Guys,* noting: RCNZ acknowledges that ACC continues to improve the information, data and analysis it has provided to better support its proposed work levy recommendations and the ability for external stakeholders to make submissions. RCNZ also believes that ACC needs to provide a greater level of transparency with respect to the performance of its invested funds portfolio, given the levy funding deficits it reports.	This feedback is acknowledged by ACC. ACC is satisfied with the level of transparency of its investment portfolio provided in its annual reporting.
Motor Trade Association (MTA): confirmed their full support to the BusinessNZ submission on this consultation.	This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.
Foodstuffs NZ: maintained a neutral response to this proposal, noting that: "It is of concern to note that although ACC is recommending small adjustments to levy rates over the next three years, the proposed levy increases would still be set up to 43% below the cost of supporting injuries each year." Further comments note that it is imperative that ACC strives to restrain the total cost of the scheme by; promoting policies which will reduce the incidence of accidents; making further improvements to case management and rehabilitation programmes to speed claimants' return to work; taking steps to minimise fraudulent claims; and efficiently manage the Corporation.	This feedback is acknowledged by ACC.

ACC's recommendation

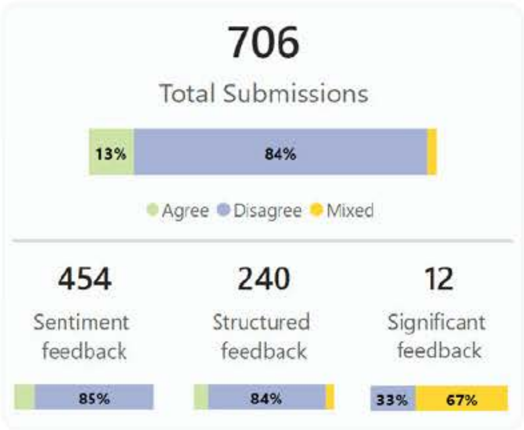
That the Board:

Confirm The proposed recommendations to the aggregate levy rates, consistent with the Funding Policy Statement.

Levy	Current 2021/22 levy rates	Proposed levy rates		
		2022/23	2023/24	2024/25
Average Motor Vehicle levy rate	$113.94 per vehicle	$120.20	$128.83	$138.08
Earners' levy rate	$1.21 per $100 wages	$1.27	$1.33	$1.39
Average Work levy rate	$0.67 per $100 of payroll	$0.63	$0.65	$0.67

Motor Vehicle Account levy proposal

Should we increase the average levy for road injuries?



We propose increasing the average levy rate for motor vehicles from $113.94 to $120.20 next year and then gradually increasing it to $138.08 over the following two years. What do you think about the proposed increases?

An overwhelming majority of submissions received (approx. 85%) disagreed with the proposed increase to the average Motor Vehicle levy. This response was driven primarily by motorcyclists, with other road users providing more a varied range of responses with some expressing support for the proposals.

Many submitters provided responses reflecting a sense that motorcyclists feel unfairly targeted by the proposals, noting that motorcycle levies are too high and that the portion motorcyclists pay is unfair.

ACC RESPONSE

ACC acknowledges this feedback which has been consistent over a number of years. The expected cost to the scheme of injuries to motorcyclists over the next three years is $374 million. The recommended levy rates will collect $102 million (less than 30%) of this from owners of motorcycles. The rest will be collected from owners of other vehicle types.

ACC believes collecting this proportion of costs from motorcycle owners represents a fair approach to levy collection. However, we acknowledge that for

"I believe that the rates for motorcycle ACC levies are already exorbitant, especially for casual residential riders."

"I agree we pay ACC levy but we need to levy the rider and not the motorcycle."

"I believe the increase should be put [on] every road user."

"The costs need to be covered, but there needs to be more equity. All wheeled road users should contribute…"

"…You are clearly targeting a group of users based on perceived higher risk. It is blatantly unfair how the levies are currently charged and yet you wish to increase these."

"Good as it is now. Even though I ride a motorcycle I think it is fair."

"…Other contributing factors to accidents should be investigated and alternate ways found to more

	owners of multiple bikes that are used infrequently this is considered inequitable.

While the motorcycling community engaged with consultation in great numbers, we also observed a number of submitters responding that the current subsidy covered by other road users felt about right, or that motorcyclists should be paying more.

ACC RESPONSE	Over several consultation periods, we have sought a levy contribution from motorcycle owners that is not prohibitively expensive and minimises subsidisation.

A number of submitters called for more incentivisation for safety on the road. This included specific feedback from motorcyclists regarding the Ride Forever riding training programme. Submitters suggested further courses for other road users that promote safe driving practices (i.e. defensive driving), along with subsidies for motorcyclists' equipment and further investment in road surfaces.

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.

Some submitters desire more consideration of individual risk factors that may affect road users (i.e. driver skill, education etc), with calls to focus on the driver and not the vehicle and propose levy costs that are more reflective of these factors.

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme. Many of the specific suggestions received are not possible under current legislative settings. Exploring some of these areas may necessitate a much longer-term all-of-government programme of work.

Some responses focused on types of vehicles, with particular mention of electric vehicles (EVs) and off-road vehicles (dirt bikes, all-terrain vehicles (ATVs), and called for more consideration of other road users contributing to the Motor Vehicle Account, particularly cyclists and e-scooters.

Specifically, on the matter of electric vehicles 27 submitters discussed whether the proposed 57% subsidy of electric vehicles was fair. Many submitters suggested that electric vehicles should pay the same rate as other passenger vehicles.

ACC RESPONSE	**Electric vehicle** ACC has reviewed its levy recommendation for electric vehicles in response to levy payers' feedback. ACC acknowledges levies are likely to have little impact on vehicle purchasing decisions compared to the other incentivies and benefits electric vehicles offer. ACC therefore proposes the Minister considers returning the electric vehicle levy to a level that better contributes to the cost of injury, to align with

accurately distribute the cost to society."

"ACC should seek contribution with other road users like cyclists, electric scooter owners as they can get injured on the road in the same way motorcyclists do."

"I would like to see rewards for riders who complete and maintain their Ride Forever Certificates as they are safer on the road. Thank you for subsidising these valuable courses."

"Personally [in regard] to the injury prevention side mentioned in the video I believe it would be much more beneficial to have more mandatory courses for both motorcyclists and car drivers in order to ensure that they can drive safely."

"...too many people driving while using their phones, or intoxicated. Focus on awareness and training and maybe reward good drivers and riders."

"Rather than increase the burden on road users there should be an ACC levy on alcohol to reflect its contribution to road injuries. (and also a proportion of the alcohol levy to the general fund for all of

	other non-petrol passenger vehicles. This means the levy for electric vehicles would increase in three equal steps from $46.04 in 2021/22 to $122.54 by 2024/25. This reflects the adjusted levy rate and remains below the cost of injury, consistent with the rest of the Motor Vehicle Account. **Other considerations** Many of the other specific suggestions received to consider other vehicle types are not possible under current legislative settings. This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.	*the other injuries that alcohol contributes to).”* *“Agree but it must be fairly paid for by electric vehicles.”* *“This [the balance between collecting the levy through petrol compared to vehicle licensing or “rego”] needs to be reconsidered due to the projected increase in the amount of electric vehicles.”*
Submitters also commented on registration costs and the proposed split with petrol. We observed mixed feedback regarding whether this should be increased or reduced, with some advocating that the petrol levy should be increased, while others suggesting that the balance was about right. Submitters also proposed alternative collection mechanisms, such as a levy on alcohol to cover alcohol-related harm and electricity as an alternative to the petrol levy, reflecting the anticipated widespread adoption of electric vehicles going forward.		*“Fund everything through fuel levies, now you need a way to fund recovery from incidents from electric vehicles.”*
ACC RESPONSE	**Petrol levy** We estimate that half of the support for a higher petrol levy may have come from motorcyclists who don’t use a lot of petrol, however this change would not influence the registration payable by riders. The remaining submissions would then represent approximately a third of submitters each supporting retaining, increasing, or decreasing the petrol levy. As below, the NZAA support maintaining the petrol levy at 6 cents per litre. In considering this feedback ACC have chosen to maintain its recommendation to keep the petrol levy at 6 cents per litre for the next three years. This feedback is acknowledged by ACC and the future balance between registration and petrol will be considered as part of ACC’s future levies strategy and work programme. **Alternative collection** Alternative collection mechanisms are not available under current legislation. This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.	

SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
Ia Ara Aotearoa (Transporting New Zealand):	
• Were concerned about the justification of the proposed Motor Vehicle levy increases, particularly the proposed allocation of those costs to class 9H vehicles (Heavy Goods Vehicles). • Welcomed the opportunity to engage with ACC officials, along with Waka Kotahi and WorkSafe, around their recommendations to reduce motor vehicle injury costs. • Recommend a thorough investigation of Motor Vehicle Account funding be carried out to enable associated costs to be more closely allocated to claimants, based on risk, not vehicle type or transport mode.	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme. The proposed increase in class 9H vehicle levies will remove subsidisation of these vehicle by light passenger vehicle owners.
The New Zealand Automobile Association (NZAA):	
• Supported the stepped approach to levy increases over the next three years. • Welcomed the ACC proposal that the petrol levy rate remains at 6 cents per litre (cpl). The NZAA contends, if levies must rise, that it will be more acceptable to motorists to have a slightly bigger increase in the re-licence fee, than a further increase in petrol prices. • Supported the proposed approach by ACC that all vehicle classes are charged the full cost of the risk they pose, apart from motorcycles, where the true cost of injuries would be prohibitive to registering a motorcycle and would encourage avoidance. • Supporteds further investigation of distance-based levying, including the possibility of an opt-in scheme. • Supported further investigation of discounts for owners of multiple vehicles. They consider this should be investigated for all vehicle types, although proof of concept could be initially trialled for motorcycles. • Believed that the previous decision to remove vehicle risk rating was at the expense of road safety, and this was a retrograde step at a time when a rising road toll is demanding more actions to improve road safety. Removing it went against other initiatives and priorities to encourage the uptake of safer vehicles and diminished the impact of vehicle safety star ratings.	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.
BusinessNZ:	
• Recommended investigation of Motor Vehicle Account funding to enable associated costs to be more closely sheeted home to claimants, based on risk, not vehicle type or transport mode. • Did not support the continued cross-subsidisation of motorcyclists or any other new or existing road users e.g. EV owners. They suggested that any policy reason for this should be made transparent, and be funded from general taxation.	This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.
Rural Contractors New Zealand (RCNZ):	
RCNZ strongly opposed the proposed levy increases for non-petrol driven tractors. RCNZ's position is that without more detailed information	

they cannot determine whether these changes are fair and equitable based on the limited evidence that ACC has provided.	This feedback is acknowledged by ACC.
New Zealand Shearing Contractors Association (NZSCA):	
NZSCA expressed uncertainty regarding the Motor Vehicle Account proposal and questioned whether this is fair and equitable.	This feedback is acknowledged by ACC.
Motor Industry Association (MIA):	
MIA noted, while the average levy increase is reasonably modest, the percentage or dollar amount increase for some vehicle classes is substantially higher – including for motorcycles and heavy goods vehicles, which they think is at the upper limit of what is acceptable and affordable for owners over the three years. MIA supported collecting a portion of the levy on petrol as it is a proxy for distance travelled and therefore risk exposure. MIA noted the contribution rate from motorcyclists towards injury costs will remain the same at 27%. MIA supports this approach as it ensures that motorcycle levies remain affordable and will minimise the risk of avoiding paying the licence fee.	This feedback is acknowledged by ACC.
Motor Trade Association (MTA):	
MTA agreed with BusinessNZ's view on cross-subsidisation in respect to the Motor Vehicle Account. MTA urged ACC to implement greater equity in the Motor Vehicle Account to ensure their members are not disproportionately disadvantaged. With people being conscious of their carbon footprint, the users of other modes of transportation will need to be included in the framework. Rates should be set taking into consideration risk and not on mode of transport or vehicle type.	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.

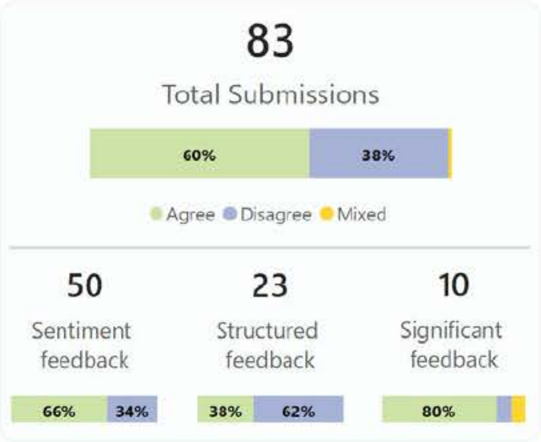
ACC's recommendation

That the Board:

Maintain	the proposal to recommend detailed Motor Vehicle Account rates, including correction of risk relativities
Maintain	the proposal to recommend retaining the current petrol levy rate of 6 cents per litre
Maintain	the proposal to maintain the recommendation for the motorcycle registration levy (which is a subsidised rate)
Change	the proposed electric vehicle levy. Increase the recommended levy for electric vehicles to match the non-petrol vehicle levy over the next three years. The electric vehicle levy would increase from $46.04 in 2021/22 to $122.54 by 2024/25.

Work Account levy proposal

Should we decrease the average levy for work injuries?



We propose decreasing the average levy rate for businesses to $0.63 per $100 of liable earnings next year with small increases over the following two years. What do you think?

The majority of respondents (60%) supported the proposed decrease to the Work levy, with some voices recognising the need for stability by enacting consistent levy adjustments across the three years.

Some respondents called for more consistency and stability of the proposed adjustments that reflects rising cost of living and the current financial difficulties experienced by employers as a result of the ongoing COVID-19 pandemic.

ACC RESPONSE	This feedback is acknowledged by ACC.

We also observed responses expressing criticism of Next Generation Case Management with regard to optimal return to work, with employers noting that they would like to be more involved in the claims management process to improve efficiency and accessibility and as a result, lower claims costs and levies payable by employers (including through experience rating).

ACC RESPONSE	ACC's new case management model will improve the connection between clients, their family, providers and employers. Clients who can manage a lot of their recovery themselves can access on line support (Enabled Recovery) the entire way. While those who do need an ACC staff member to help assist them in their recovery, or have very settled needs will get that support through Assisted Recovery. This is a team based approach when their needs can be met by a team of people. Clients with a raft of issues, or who would benefit from dealing with the same person, get one-to-one support through our Supported Recovery team, and those with higher level needs, or who need longer-term or permanent support, receive one-to-one support from our Partnered Recovery teams.

"Instead of accepting longer and therefore more expensive recoveries and passing the cost on, ACC needs to look at the way injuries and recovery are managed by the providers."

"…Business has had [enough], [it has] been a very difficult year and you just want to smash us more."

"ACC needs to invest in integrating the providers into a wrap-around care system that includes the injured person, their whanau and their employer."

"There are employers who don't take H&S seriously. They should not be paying the same as a business who invests in staff safety."

Submitters also commented on more consideration of individual risk factors and propose collection mechanisms that reflect this, particularly for higher risk employers, industries or employees in higher risk occupations.

A more individualistic approach may address other pain points raised by submitters where the most appropriate classification unit for their business may not reflect the breadth of what they do, nor the nature of activities their staff are engaged with day-to-day.

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.

SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
Manage Group: Manage Group referenced that, while the Work levy is proposed to decrease by 6% on average, resulting in a reduction for some employers, there will still be an increase for others for 45% of businesses.	This feedback is acknowledged by ACC.
Employers & Manufacturers Association (EMA): EMA welcomed the revised levy rate for Workplaces to $0.63 for the next levy year. They noted that this will be welcomed from business as they attempt to trade out of COVID-19 restrictions and uncertainties.	This feedback is acknowledged by ACC.
Rural Contractors New Zealand (RCNZ): • Supporteds the proposed 4.7% (on average) reduction in the Work levy for classification unit 02190 - Agriculture and Fishing Support Services. • Welcomed the reduction in the proposed Work levy rates with respect to Levy Risk Group (LRG) 021 Agriculture and Fishing Services and Aquaculture.	This feedback is acknowledged by ACC.
New Zealand Shearing Contractors Association (NZSCA): NZSCA offered broad support for the Work levy proposal. Specific commentary on their classification notes that "…these reductions are a reflection of the ongoing commitment within the industry to prevent injuries from occurring, coupled with the funding support provided by ACC to date.", appreciating that the levies, as a price signal, positively reinforce good health and safety.	This feedback is acknowledged by ACC.
Aviation New Zealand: Aviation New Zealand expressed broad support for the submissions provided by Business New Zealand and Manager Company. They note that the proposal to increase levies for their Levy Risk Group (493 Air Operations) at a time when most are adversely affected by the impact of COVID-19 and face such uncertain futures is unfair and unjust. They believe the proposed increases penalises those that have managed to remain in business despite the impact of COVID-19. They did not feel the proposed rates for levy group 493 reflected the improving safety record and the falling value of claims for this sector, and	This feedback is acknowledged by ACC.

their levy should fall in line with the decline to the average levy rate across the Work Account.	
Motor Industry Association (MIA): MIA supported this proposal, and the subsequent small increases in out-years.	This feedback is acknowledged by ACC.
Motor Trade Association (MTA): MTA and its members welcomed the proposed stability in Work levy over the next 3 years. It is critical that the levies reflect the costs of claims.	This feedback is acknowledged by ACC.
Riding for the Disabled organisations: Riding for the Disabled organisations were highly supportive of the initiative to shift in levy risk group for the classification applicable for their organisation's business activity, noting that it "…will have a significant benefit to our Groups across New Zealand and much more accurately reflects the nature of the work we undertake as a disability service."	This feedback is acknowledged by ACC.

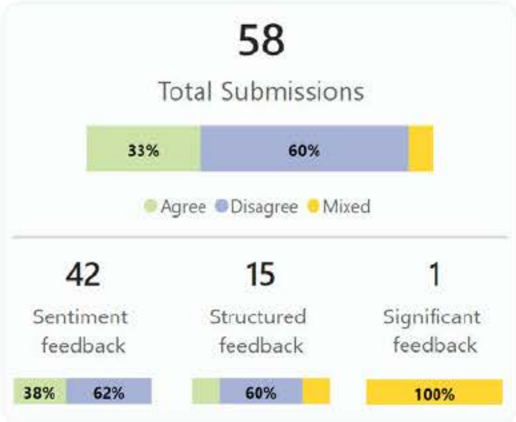
ACC's recommendation

That the Board:

Maintain the proposal to recommend detailed Work Account rates, including capped correction of risk relativities.

Earners' Account levy proposal

Should we increase the levy for non-work injuries?



We propose increasing the levy rate for earners from $1.21 per $100 of liable earnings to $1.27-$1.39 per $100 liable earnings over the next three years. What do you think about the proposed increases?

A majority of submitters (60%) disagree with the proposed increase to the Earners levy, with responses suggesting more consideration of individual risk factors for levy payers. Some respondents noted the relatively small adjustment, acknowledging the wider benefits of the Scheme in covering the cost of injuries.

Submitters commented on the impact the proposed increase would have on individuals struggling with rising costs of living. Others suggested that more consideration be provided for issues around equity, specifically for Māori.

ACC RESPONSE	This feedback is acknowledged by ACC. A Head of Equity Strategy and Delivery role has been established within the rōpū Pae Ora, which includes exploring a targeted programme of work for Pasifika and the establishment of an engagement framework with iwi, hapū and Māori businesses. ACC is increasing its focus on ensuring the appropriate application of te Tiriti for Māori and all ethnic communities, including Pacific peoples.

A number of submitters referred to individual risk factors and suggested an approach that targeted individuals involved in higher risk activities, such as sports, and whether levy costs could be more closely aligned with an individual's claim history.

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.

Some responses referred to small increases for individuals having a large impact on ensuring the future funding and feasibility of the Scheme, while others note that more work is required in improving injury prevention and integration with providers to reduce costs.

"Every cost around us is going up, this will hurt a lot of people."

"Costs are going up for everything. Yet most of us have not had a pay rise in years. So, what gives? Can we instead focus on the CAUSE of increased injuries?"

"Please don't. The costs are already prohibitive as it is, and times are hard with an uncertain COVID future."

"Other levies have lots of categories and incentives, but not this one - would exploring more diversity help to share the liability? Are there options to explore with Māori that might enhance equity and support provided, but considers where the cost burden falls?"

"This should be similar to workplace levies where people who have not had any claims within a certain time period pay less. Why should people who don't play sport or do things to injure themselves subsidise those who have multiple claims"

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.	

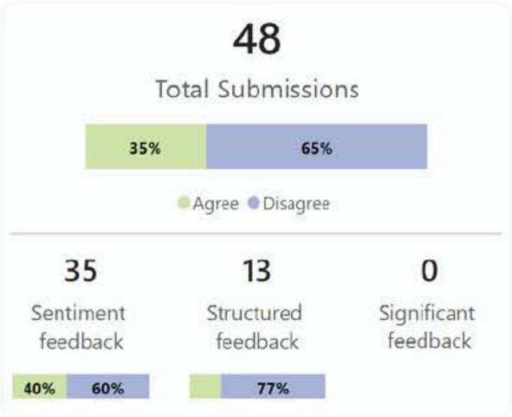
SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
Manage Group:	
Manage Group expressed concerns that increasing the Earners' levy would negatively impact businesses. Businesses may choose to increase the amount they pay workers to maintain workers' take home pay. This may compound the effect of other recent changes to employment conditions, such as an additional week of sick leave, family violence leave, and increases to the minimum wage.	This feedback is acknowledged by ACC.

ACC's recommendation

The Earners' Account consists of a single levy rate determined by the Funding Policy. There are no further recommendations for the 2021 levy setting process.

Maximum and Minimum liable earnings proposal

Should we increase the maximum and minimum earnings we levy?



What do you think of our proposal to increase the maximum and minimum liable earnings?

A majority of submissions (65%) oppose the proposed increase to the threshold for maximum and minimum earnings. Some submitters are advocating for a higher maximum or the removal of the maximum threshold, with others noting that the proposal is unfair to low- and middle-income earners.

Submitters provided mixed responses to the proposal that considered issues of equity between high and low income earners, noting that the maximum should be increased more and the minimum adjusted to reduce inequity between the highest earners and the lowest.

ACC RESPONSE	This feedback is acknowledged by ACC.

Some responses noted that the proposal was in line with the rising cost of living and ensured that those that were injured would have adequate compensation to cover these costs.

ACC RESPONSE	This feedback is acknowledged by ACC.

We also observed a response noting issues around transparency and difficulty in understanding the proposal that made it difficult to provide detailed feedback.

ACC RESPONSE	This feedback is acknowledged by ACC.

"The proposal focuses on what you have to pay (if you earn above the old max) - but the flipside means you can also get paid more if you have an accident. With the rising costs of living for households, I think this is fine."

"I don't think that there should be a maximum, but there is one it should be more than double the current amount."

"It should be increased even more. Everyone who is injured such that they can't work gets paid a proportional amount of their income as compensation while they can't work. That the hyper wealthy are able to essentially be subsidised by those who are middle income earning is an outrage."

"Is this the minimum you have to pay? If so, how does that work?"

SUBMISSIONS FROM REPRESENTATIVE GROUPS

No significant submissions directly provided feedback against the Minimum and Maximum liable earnings proposal.

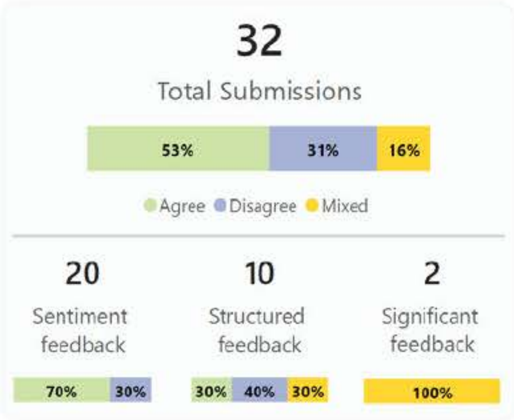
ACC's recommendation

That the Board:

Maintain the proposal to recommend increasing the minimum and maximum liable earnings

Accredited Employer Programme fees and rates

What do you think of our proposed levy changes for accredited employers?



What do you think of our proposed changes to fees for the Accredited Employers Programme?

More than half of submitters (53%) agree with the proposed fee changes to the Accredited Employers Programme (AEP) as a result of the proposed changes to the Work levy for businesses.

We observed some submitters commenting on the partnership between ACC and accredited employers. They acknowledged that AEP is the only option available to employers who wish to opt out of the ACC Scheme, but they felt there were unnecessary barriers or expectations to their participation including auditing standards.

Accredited employers also raised that their commitment to return to work outcomes is not necessarily supported by providers who are quick to sign people off work instead of working with them to support a transition back to the workplace. This drives up costs for accredited employers and ACC, and the recommendation was to work closer with providers to increase efficiency by providing better and earlier care and support.

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme for AEP, and in the implementation of the AEP codesign.

Submitters also commented on potential consideration of individual risk claims profiles and called for integration of private sector insurance models for AEP, suggesting that this would assist with easing administrative burdens, improve efficiency and align with existing practices already in place for Experience Rating.

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's work programme.

Some responses noted issues around transparency and difficulty in understanding the proposal generally, and more specifically the administrative fee component, that made it difficult to provide detailed feedback without having access to more detailed information.

"It doesn't feel transparent and is somewhat illogical… are some of these fees/rates really proportional to liable earnings, or are you just goal-seeking to a fixed $ amount?"

"[In regard to] the unallocated primary health care costs. This is stated as being rare, therefore it insinuates that this fund is not typically overspent each year. There should be an opportunity to rebate this cost (pro rata) across Accredited Employers each year for the funds collected that weren't used."

"It is challenging to give feedback around the changes to the administration fee when more information is required as to what this supports as a breakdown."

ACC RESPONSE	This feedback is acknowledged by ACC.	

SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
Carter Holt Harvey (CHH):	
CHH queried whether current premiums are calculated based on the experience of all AEPs, and if so, the following considerations are noted: • Calculating premiums based on individual AEP claims / risk experience. This would act to reward good performance and punish poor performance, which is consistent with ACC's ethos in the broader experience rating space. If the above approach is too great an administrative burden, they suggest accredited employers could source high cost claims cover and stop loss cover cover from private insurers. Minimum levels of cover could remain in contractual terms and accredited employers could then provide ACC with the insurance certificates as part of the annual renewal process. This is the approach taken by some self-insurance jurisdictions in Australia and pricing of policies benefit from competition.	This feedback is acknowledged by ACC and will be considered as part of ACC's work programme.
Foodstuffs NZ:	
Foodstuffs NZ noted issues of understanding and transparency, as it is unclear of the reasons and processes that underpin the proposed changes.	This feedback is acknowledged by ACC.

ACC's recommendation

That the Board:

Maintain the proposal to recommend correction of the fees and amounts for Accredited Employers, in line with proposed changes to the Work Account levy rates.

Experience Rating – maximum loading proposal

Should we raise the maximum amount levies can increase for businesses in the ER Programme?

What do you think of our proposal to change the maximum adjustment for a levy increase in Experience Rating from 75% to 100%?

A majority of submitters (57%) supported raising the maximum amount levies can increase for businesses in the Experience Rating Programme. Responses support penalties for poor health and safety performance, so that everyone is paying a fair rate and have an added incentive to develop and improve a culture of workplace safety.

Submitters provided responses that communicated support for encouraging good health and safety practices by utilising incentivisation or penalties where applicable, noting that such mechanisms can drive real workplace safety changes for employers.

ACC RESPONSE	This feedback is acknowledged by ACC.

Other respondents highlighted concerns regarding the potential to be penalised for factors outside of their control. These concerns reflected on the consequence of claims inaccurately, or fraudulently, being allocated to an employer, as well as instances where an injury may have been as a result of bad luck when normally there are very robust health and safety practices in place.

Submissions urged that more consideration should be given to issues regarding the attribution of claims as workplace, or non-workplace injuries.

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.

Issues of equity between small and large businesses were raised.

ACC RESPONSE	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.

"I would expect a method of review and adjustment if an organisation thinks the [ER] outcome is not correct."

"I'm ok with the raising of the ER…what is very frustrating to business is the current process of a doctor categorising claims non-work related or work related."

"For the worst employers who repeatedly fail to protect the safety of their staff then it is fair to expect them to carry their share of the risk. If 100% increase is proportionate to the risk for these employers, then this is fair."

"Agree, this mainly impacts businesses who are consistently worse than similar businesses (if they get better, they pay less). It's only fair they pay their way…"

"Small incentives like these, when compounded year-on-year, can lead to a real difference to workplace safety."

SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
Manage Group:	
Managed Group provided a list of considerations for this proposal, based on their experience, which are noted as follows: • They can categorically state employers do not understand the nuances of Experience Rating well enough in order for change to occur. • ACC is poor at supporting employers with acute and timely claim management. • ACC does not place the employer in a position of strength when it comes to challenging claims that are challengeable under the legislation (repetitive strain, pre-existing, re-aggravation, motor vehicle related, fictitious claims, ACC not following due process). • ACC's auto acceptance of claims and onus of proof places employers on the back foot with disputes and challenges. • The 90 days time limit to dispute claims is redundant when a claim becomes long Term (i.e. excessive weekly compensation days claimed). In their view, increasing the maximum penalty is a poor way to encourage participation and the following recommendations are made: • Do not increase the maximum loading to 100%. Leave it at the current 75% which in our opinion is set too high as it is. • Increase the maximum discount to match the maximum loading. Focus on education for all employers, starting with those performing worse than their peers. Provide employers with the tools and support to manage their claims.	This feedback is acknowledged by ACC. We continue to focus on improving the implementation of our new case management system including how we engage with and include business customers in the rehabilitation process.
Employers & Manufacturers Association (EMA):	
EMA recommend the proposal to increase Experience Rating amounts be withdrawn, and that Experience rating must measure what the business can actually do rather than what is done to it. Furthermore, they suggest that the experience rating scheme be reviewed to make it more employer/rehabilitation focused while at the same time making employers a key stakeholder. The medical profession does not fund the Work Account, yet they have the ability to affect these costs (payable by employers) by what they do or don't do in terms of rehabilitation and medical treatments/interventions.	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.
BusinessNZ:	
BusinessNZ submitted that: • Other parties may have a role to play in an injury and it would be unfair to penalise the employer (beyond the status quo). • Claim costs are impacted by how well ACC manages the claim. Some members consider that in their experience the quality of case management has deteriorated over time. This may result in injured people having higher medical costs or returning to work later than might otherwise be the case if case management was optimal.	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.

• Sometimes claims are lodged by employee after they have resigned and in this case there is nothing the employer can do to assist rehabilitation and return to work (to minimise claim costs). • The system does not necessarily work well when a change in ownership occurs. For example, a new owner may be penalised for the poor performance of the previous owner.	
Rural Contractors New Zealand (RCNZ): RCNZ supports ACC's proposal to increase the maximum Experience Rating (ER) levy to 100%.	This feedback is acknowledged by ACC.
New Zealand Shearing Contractors Association (NZSCA): NZSCA supports ACC's proposal to increase the maximum Experience Rating (ER) levy to 100%.	This feedback is acknowledged by ACC.
Motor Industry Association (MIA): MIA note support of this proposal as overall most businesses will contribute slightly less in the Work levy to fund the Experience Rating discounts.	This feedback is acknowledged by ACC.
Foodstuffs NZ: Foodstuffs NZ provided mixed feedback related to this proposal. While they expressed support of the premise to focus on building a safety culture and reduce workplace injuries, and that it is appropriate that poor performing businesses should incur a financial penalty to ensure there is a behaviour change. However, on balance, they hold the view that there is insufficient detailed analysis or justification to increase the maximum adjustment from 75% to a 100% loading to the levy. Further concerns are noted regarding issues with the current ER programme. These included: Claims being allocated to wrong employer; injury due to third party; improvements in ACC services to employers; and improvements in identifying and addressing fraudulent claims.	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.
Wakatū Incorporation: Wakatū Incorporation provided general commentary regarding difficulties getting input from ACC into "dubious" cases where injury has not occurred at work and (due to the current experience rating system) these all come back to the employer at the time of the injury being diagnosed. Wakatū notes that frequently claims are made that an injury is a work injury because employees believe this is the only way to access ACC compensation. And as a result, these claims are recorded against the employer's experience rating.	This feedback is acknowledged by ACC and will be considered as part of ACC's future levies strategy and work programme.

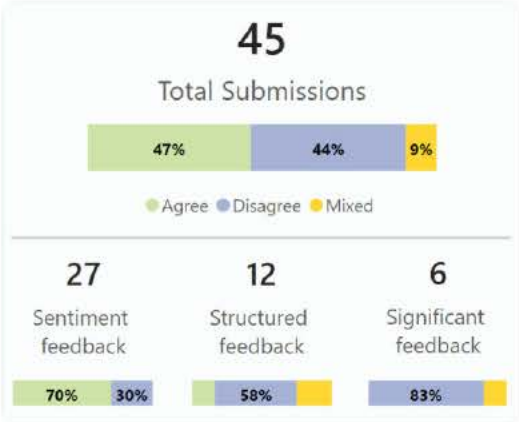
ACC's recommendation

That the Board:

Maintain the proposal to recommend increasing the maximum adjustment under Experience Rating from 75% to 100%.

Experience Rating – fatal modifier proposal

Should we increase the impact of a workplace fatality in the ER Programme?



Do you have any comments on the options considered to increase the impact of a workplace fatality in the Experience Rating programme?

Half of submitters (47%) support increasing the impact of a workplace fatality in the ER Programme, including from people expressing that them and their whānau have the right to return home safely each day.

Some respondents noting that they would like to see an investigative process that considers fault.

We observed many responses supporting the proposal to increase the impact of workplace fatalities, with submitters emphasising the importance and responsibility employers have for ensuring workplace safety that prevents loss of life and would assist in driving workplace safety change.

ACC RESPONSE	This feedback is acknowledged by ACC.

Other respondents comment that while they support and encourage systems that improve workplace safety, they are concerned that the proposal could result in penalties for employers for factors outside of their control and desire a robust investigative process that considers fault, whether consideration would be provided for employee responsibility and could focus on all incidents involving injury and not just those that result in fatalities.

ACC RESPONSE	ACC's experience rating proposals seek to address an anomaly in our calculation of a business' claim experience that for medium and large employers esessentially ignores fatal injuries. Under the current No-Claim Discount programme for small businesses fatal injuries already attract a 10% loading for three years. This proposal aligns medium and large businesses with the same policy that applies to small businesses but recognises feedback from larger businesses that the levy should be more responsive to recent events, not ones that occurred three years ago (by having a larger impact in the first year and no impact in the third year).

"My employer has no right to kill me. Everyone deserves to get home safely - ACC ignoring fatalities because they don't have to pay out doesn't make workplaces safer."

"Consider whether certain events outside the employer's control, i.e. crimes against employees, are excluded from the adjustment."

"ACC's function is to treat injuries and recoup the cost in an equitable way. WorkSafe's function is to enforce and punish transgressions of the H&S at work act. Increasing the impact of a fatal accident on ACC claims is blurring this boundary."

"If this [increased impact of workplace fatality] was to be done there should be some investigation / allocation of fault rather than a blanket rule."

For extraordinary events (such as a terror attack or natural disaster), the Minister for ACC currently has the discretion to declare an 'adverse event' under regulation 23 of the Accident Compensation (Experience Rating) Regulations 2019. Adverse events are excluded from the Experience Rating calculations. This is the only avenue which businesses in ER would be exempt from the fatality modifier.

Some submitters note the potential blurring of responsibilities with WorkSafe and comment that this could present scenarios that result in a penalty applied by ACC, despite being fully compliant with Health and Safety at Work Act or lack of prosecution from WorkSafe.

ACC RESPONSE

A focus on critical risks takes a whole-of-system response. We all have a role to play. Just as employers have a responsibility to ensure their workers go home safely at the end of each workday, ACC and WorkSafe have distinct but complementary roles for harm prevention.

WorkSafe is the primary workplace health and safety regulator. WorkSafe believe few employers would be placed in a situation where a financial penalty would be incurred by both ACC and WorkSafe and only in situations where the business failed in its duty of care under the Health and Safety at Work Act 2015.

ACC provides economic incentives that promote behavioural change. This supports WorkSafe's role in improving health and safety in workplaces.

Other submitters comment on issues of equity between small and large businesses.

This includes the alternate approach that had been considered which would see smaller businesses paying up to 80% more with some larger employers not receiving any increase. They also note there should be equity with the No Claims Discount programme that is already established.

ACC RESPONSE

Currently, under the No-Claim Discount programme for small businesses fatal injuries attract a 10% loading for three years.

ACC's preferred approach aligns medium and large businesses with the same policy that applies to small businesses. The total impact would still be 30% over three years, but the weighted approach reflects improvements made in response to past feedback that the Experience Rating levy should be more responsive to recent claims than those that occurred three years ago.

"Within the transport industry, we can do all we can to promote safe driving, have excellent vehicles, driver training, however there may still be fatalities while people are at work and we would be penalised unless we could have a system where we could prove the employee was at fault."

SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
Manage Group: Manage Group advised that they do not agree with this proposal, as it clouds ACC's role to that of Worksafe NZ (the regulator), and could have potentially unforeseen commercial and legal ramifications for employers. Their recommendation is that ACC does not proceed with this proposal.	This feedback is acknowledged by ACC, in line with the above substantive reponse.
BusinessNZ: Business NZ recommended more thought and consideration be given before increasing levies to reflect the impact of workplace fatalities, including the possibility of an independent review by legal practitioners, businesses, and worker representatives.	This feedback is acknowledged by ACC.
Employers & Manufacturers Association (EMA): EMA recommended that the Fatality Modify be withdrawn completely, referring to predicted complexities from interactions with WorkSafe the HSAW Act 2015, and that it would be perverse to allow an employer to be "found guilty" when no breach has occurred.	This feedback is acknowledged by ACC.
Federated Farmers of New Zealand: Federated Farmers of New Zealand reiterated that their response followed the submission provided by BusinessNZ, noting that they have particular concern regarding the proposal for the Experience Rating Programme calculation to recognise the effect of a fatal injury. Recommendations mirror that proposed by BusinessNZ, stating that recent WorkSafe prosecutions have seen fines of hundreds of thousands of dollars for farmers and when combined with a potential financial penalty from ACC, would be disastrous for New Zealand farming operations. Further consideration of the nature of these businesses often being small to medium (mum and dad style operations) where the impact of a fatality already has significant emotional and personal consequences, as staff are often family members. In conjunction, the farm is often the family home, thus the impact and disruption of this type of tragedy is even more significant than most workplace fatalities. Federated Farmers therefore propose that enforcement of Health and Safety is best left to WorkSafe and have serious concerns for the unintended consequences a significant increase in an ACC levy following a workplace fatality.	This feedback is acknowledged by ACC.
Motor Industry Association (MIA): MIA notes its membership of Business NZ and endorses their comments on this particular proposal.	This feedback is acknowledged by ACC.
Foodstuffs NZ: Foodstuffs NZ provided mixed feedback on this proposal. They expressed support for the need to differentiate between a claim that involves a fatal event and a non-fatal claim.	This feedback is acknowledged by ACC.

However, they were opposed to the automatic 20% loading and note that "…[Worksafe have] a more rigorous process with rights of natural justice attached [to assess culpability and penalties]."

ACC's recommendation

That the Board:

Maintain the proposal to recommend introducing a fatal modifier to the Experience Rating programme, per ACC's original design. This better recognises the significance of fatal injuries in the Experience Rating calculation and ensures a consistent treatment between small businesses under the No Claims Discount Programme and medium-to-large businesses under Experience Rating.

Retail and wholesale trade CU proposal

Should we change how retail and wholesale trade businesses are classified?

Should ACC classify non-store retailers based on the type of products they sell the same way as store-based retailers?

"It's positive to see ACC is responding to past feedback - but a shame it took three years to come back with a proposal."

There is strong support the Minister's proposal regarding the classification of non-store retailers dependent on the products they sell, which ensures alignment with those that are store based.

There are no themes to note, due to the low volume of written submissions.

SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
Motor Industry Association (MIA):	
MIA supports the proposal for ACC to classify non-store retailers based on the type of products they sell, the same way as store-based retailers. There is an element of fairness in classifying retailers on the basis of the products or services they sell, rather than the channel they use. However, they note that online-only retailing is growing and this is also an emerging business model for the motor vehicle sector, with two car marques now being sold in NZ this way. We think this business model will need to continue to be monitored as there are potential differences in risk with online-only retailers not having a physical shop with staff and customers mingling amongst stock and equipment.	This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.
Foodstuffs NZ:	
Foodstuffs NZ expressed strong support for this proposal, noting that it will "…lead to greater fairness and equity between online-only retail businesses who compete with brick and mortar business that sell the same or similar product(s)."	This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.

The Ministry of Business, Innovation & Employment will advise the Minister for ACC on the Minister's levy-related proposals.

Cricket CU proposal

Should we change how community cricket associations are classified?

Should all cricket professionals belong to the same CU? This would allow the CU for community cricket associations to pay a lower levy rate, while professional players (domestic and international) would pay a rate similar to what they pay today.

"A no brainer! Win-win!"

There is strong support for the Minister's proposal regarding the adjustment of classification units and rates that reflect the distinction between professional and community players.

There are no themes to note, due to the low volume of written submissions.

SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
New Zealand Cricket (NZC): NZC's response noted support for this proposal and the lower levy rates.	This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.

The Ministry of Business, Innovation & Employment will advise the Minister for ACC on the Minister's levy-related proposals.

Prime contractors CU proposal

Should we change the levy rate for prime contractors?

Should prime contractors all pay the same levy rate?

"The proposal seems fair, that the levy should reflect the actual work a company physically does."

There is strong support for the Minister's proposal regarding prime contractors paying an equal levy rate and removal of previous inconsistencies.

There are no themes to note, due to the low volume of written submissions.

SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
Manage Group: Manage Group expressed support for this proposal, as it will provide a more accurate reflection of the risk carried by a business that subcontracts out all of the trade work, and recommend that ACC introduce the new levy classification and either modifying or remove the incumbent levy classifications.	This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.

The Ministry of Business, Innovation & Employment will advise the Minister for ACC on the Minister's levy-related proposals.

Credit Interest proposal

Should we update the credit interest payable on provisional levies?

What do you think of updating the amount of credit interest payable, to align to the three-year Government Bond rate?

There is strong support for the Minister's proposal regarding the alignment of credit interest payable to the three-year Government Bond rate. There was a comment noting the requirement to set a fixed rate for three years would limit responsiveness.

There are no themes to note, due to the low volume of written submissions.

"…Can't levies be collected more regularly but based on actual earnings to eliminate overpayments? In the meantime, the interest rate should be updated for the current economic climate."

"It should be reviewed at least annually, in three years the economy could be much stronger and any rate chosen today could be very outdated!"

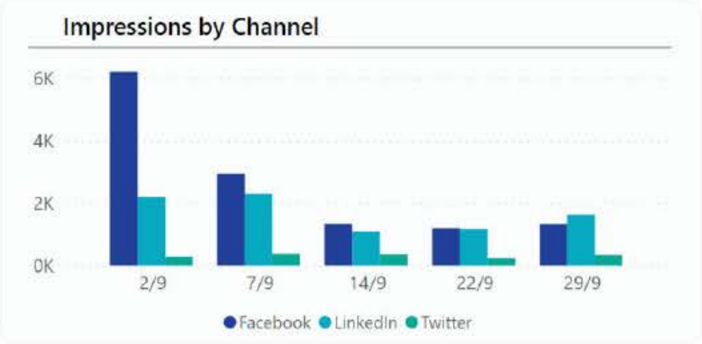
SUBMISSIONS FROM REPRESENTATIVE GROUPS	ACC RESPONSE
Manage Group: Manage Group suggested ACC reconsider its position on this proposal and made two specific recommendations: • ACC revert back to the interpretation it held pre 2019 and recognise that when it has the use of client's money, it pays for this use. • Leave the rate at the current 6%. ACC is forthright in promoting that its investment division is one of the top performers and consistently achieves returns well over 6% (by a substantial margin). ACC has no negative financial impact in this space.	This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.
Motor Industry Association (MIA): MIA supports this proposal to benchmark the credit interest rate to the three-year Government Bond Rate, and to lock it in for the 3-year cycle of levies.	This feedback has been passed on to the Ministry of Business, Innovation & Employment for consideration as the lead advisors to the Government on ACC Scheme design.

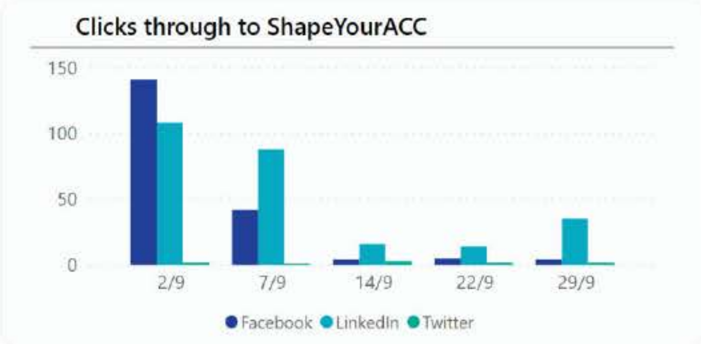
The Ministry of Business, Innovation & Employment will advise the Minister for ACC on the Minister's levy-related proposals.

Appendix One: Social Media Analysis

Over the course of the 2021 levy consultation weekly posts were made to Facebook, LinkedIn, and Twitter to promote the consultation. The posts linked to a relevant client story on ACC's Newsroom to make the information more relatable. Each week had a different focus:

- Week 1 (2nd September) – Opening of consultation and levy rates in general
- Week 2 (7 h September) – Motor Vehicle levy. The Ride Forever Facebook page posted about the levy consultation on the 10th September.
- Week 3 (14th September) – Work levy
- Week 4 (22nd September) – Earners levy
- Week 5 (29th September) – Closing of consultation and levy rates in general





The first post had the largest number of impressions and drove the most traffic to ShapeYourACC. The number of impressions declined over the first three weeks of the consultation.

Except for the first post Facebook and LinkedIn had a similar number of impressions, but LinkedIn viewers were more likely to visit ShapeYourACC after viewing the posts.

Our social media engagement reflects organic participation, typically from people who 'follow' ACC and its work. We have not run paid advertising through social media channels.

Commentors frequently talked about ACC's investments, personal stories about difficulties they have had dealing with ACC claims, and how they felt ACC was not delivering value to New Zealanders.

Appendix Two: ShapeYourACC enagement

ShapeYourACC has been the primary channel for people to submit feedback on the proposals. Over the course of the consultation there were 4207 sessions. The site generally had between 10 and 150 sessions per day, with much higher values from 7 -11 September and 20 - 22 September associated with social media activity. Both of these high engagement periods centre on the Motor Vehicle Levy proposal. On 7 September the ACC social media team posted about the Motor Vehicle levy consultation. The Ride Forever Facebook page posted about the levy consultation on 10 September. Between 20 and 22 September we understand interest was been driven largely by discussion in private Facebook groups for different motorcyclists' clubs.

Between 10% and 50% of visits to a proposal page result in a submission, with the Motor Vehicle Levy having the highest engagement. This is hard to estimate as people may leave a sentiment submission, a structured submission or both. This means one visit may generate two submissions within the normal consultation process.

Appendix Three: Significant submissions

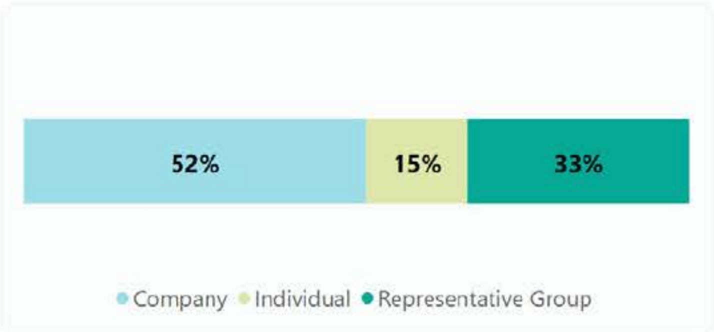
Significant submissions are long-form submissions provided via alternative channels (typically email) that are significant in nature. 33 significant submissions were received during the 2021 levy consultation.

Who provided a significant submission?

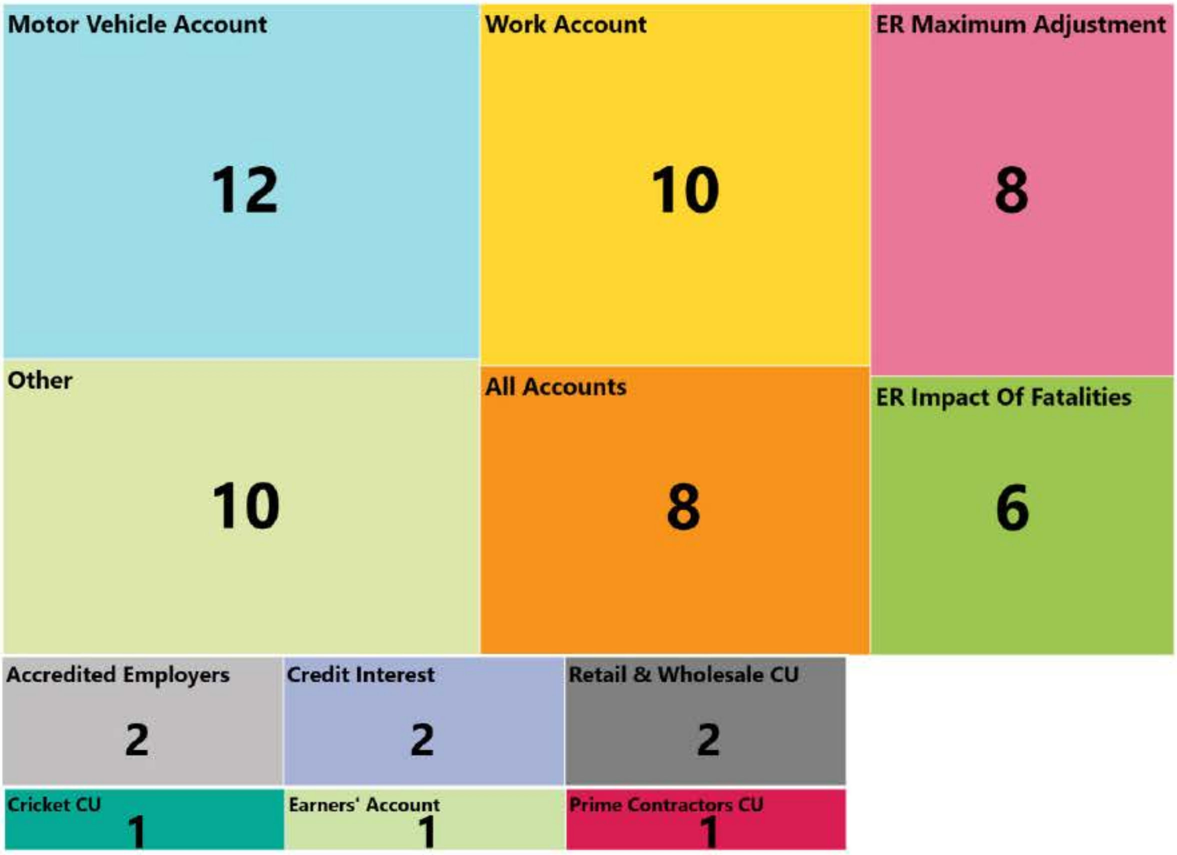
Most significant submissions came from specific businesses. We know that 9 out of 11 companies focused their submissions in on Scheme level opportunities, with several discussing operational issues they've faced in working with ACC.

A third of the significant submissions came from representative groups who may have been submitting on behalf of a large membership base. These submitters focused their submission on specific proposals but noted broader Scheme-level opportunities that they would like to partner with ACC on.

We also received five significant submissions from individuals. They too focused their submissions on the specific proposals we had put forward for consultation, but with a flavour of their personal experiences engaging with ACC.



What proposals were significant submitters most engaged on?



2021 Significant Submitters

In 2021 we received significant submissions from the following parties.

- Automobile Association
- Aviation NZ
- Blues Limited Partnership
- Business New Zealand
- Carter Holt Harvey
- Crusaders
- Employers & Manufacturers Association
- Ever Edge Global
- Federated Farmers of New Zealand
- Foodstuffs NZ (made 3x individual submissions for each proposal area)
- Hurricanes & Wellington Rugby
- Ia Ara Aotearoa Transporting New Zealand
- Kinetic
- Manage Group Limited
- Motor Industry Association
- Motor Trade Association
- New Zealand Cricket
- New Zealand Riding for the Disabled
- New Zealand Shearing Contractors Association (NZSCA) (via The ACC Guys)
- NZ Rugby
- Rural Contractors New Zealand (RCNZ) (via The ACC Guys)
- Terra Cat
- The Chiefs
- The Highlanders - Super Rugby Franchises
- Wakatū
- Wanganui Riding for the Disabled
- West Coast Riding for the Disabled

Five individuals (and/or self-employed people) also made significant submissions which have been captured throughout this report, but have not been named due to privacy.

Appendix Four: General feedback

In addition to feedback on the 2021 levy consultation proposals for levy rates, experience rating, and the Minister's proposals, several submitters provided general feedback about ACC and the consultation process. These insights and recommendations are summarised below:

PARTNERSHIP OPPORTUNITIES TO IMPROVE OUTCOMES FOR NEW ZEALANDERS

Rural Contractors New Zealand (RCNZ):

RCNZ requested a strategic business customer partner be assigned to RCNZ, to enable a stronger partnership with ACC to discuss ways to better support their members in preventing injuries from occurring.

New Zealand Shearing Contractors Association (NZSCA)

NZSCA acknowledged"ACC's funding contribution towards Tahi Ngatahi expressed a desire to continue to collaborate on reducing harm and costs in the industry.

> *We have no hesitation in signalling that this support has been a contributing factor in the reduction of entitlement claims and total cost of claims for our industry."*

Aviation New Zealand:

> *We appreciate safety education is outside the terms of this consultation. It is important to note though that as an industry, we continue to invest in safety. Programmes we run, which improve safety, include Down to the Wire, AIRCARE™ and the Helicopter Safety Programme...*
>
> *…These safety programmes save ACC money, and they also help reduce claims [and should be recognised in the levy].*

Employers & Manufacturers Association (EMA):

We recommend that ACC use their extensive data base and the Worksafe NZ data to specifically identify businesses that are high risk and then enter into a one-on-one joint risk mitigation regime.

IMPROVEMENT AREAS IN ACC PROCESSES

Foodstuffs NZ:

Noted challenges engaging with ACC's disputes resolution process.

Wakatū Incorporation:

Wakatū wished to provide feedback on changes (outside of levy consultation) to the burden of proof for gradual process injuries. They note that

> *While it is commendable that ACC seeks to make it easier for injured people to obtain compensation for the loss suffered as a result of those injuries I believe this change as reported does not work for the primary source of funding for ACC (Levy payers).*
>
> *In shifting the burden of proof to ACC for claim acceptance, the burden has actually been shifted to the employer as they ultimately foot the bill for any claim costs or defence costs.*

Employers & Manufacturers Association (EMA):

We note there has been a recent change to the rehabilitation (claims management process) system which has not gone well. We understand that changes are being made to this new system.

We recommend that the Supporting our Clients process be reviewed to specifically include employers for any workplace claim that is lodged with ACC from the earliest time possible.

Manage Group

Manage Group made a range of specific recommendations relating to specific sectors, and to specific improvements to ACC processes to provide greater transparency and equity.

MANAGING COST PRESSURES ON THE SCHEME

TerraCat:

My primary concern is that there doesn't seem to be any focus on dealing with the cost increase at the source, i.e. that the medical fraternity is costing more at an alarming rate and that they have very little desire to return workers to work quickly.

They wondered whether Scheme settings either intentionally or unintentionally were promoting this problem and recommended a detailed review.

FUNDING SETTINGS & LEVY REVIEW CYCLE

Manage Group:

Our view is that this is a cost saving exercise that does not serve employers (the levy payer)…. We do not support this and seek a change back to annual consultations.

SUPER RUGBY FRANCHISES

Super Rugby Franchises & NZR (Crusaders, Chiefs, Hurricanes, Highlanders, Blues)

The licensees of the 5 Super Rugby organisations in New Zealand licensed by NZ Rugby ("NZR") noted above provided individual submissions that addressed a specific classification issue affecting all representatives, this is summarised in the following two statements:

"The Licensees are not appropriately described by the ACC CU 93180 Sport and physical recreation – professional rugby. ACC should, and notwithstanding we believe currently can, either create a new CU that adequately describes the activities of the Licensee or amend another CU to incorporate the activities of the CU – AND:

"…The CU prescribed for the Licensees should reflect the risk associated with the employer activity of the Licensees."

In essence, the Super Rugby organisations want ACC to examine the fairness and equity of the current classification that was determined to be applicable for their organisations, on the basis of the following consideration:

"The Licensees are not in the business of administering, coaching and/or playing professional rugby. They are not in the business of governance of the professional sport. A Licensee, is in the business of on selling its licensee rights, managing events, and providing some management services of behalf of NZR.

The Licensee's employer activity is not playing rugby. The product sold is access to Super Rugby matches and interaction with the Super Rugby brand by the public. ***The signatory requests that ACC define a new risk classification which correctly and fairly reflects the risks associated with the activities of the Super Rugby Franchises and its employees."***

INDIVIDUAL SUBMITTERS

The significant submitters included five individuals who made a submission in a personal (or potentially, self-employed) capacity. For privacy reasons they are not discussed in detail here but they included:

- Two submissions which raised opportunities for legislative change to improve elements of the ACC levy system.
- Three submissions were from motorcyclists who wished to provide a detailed submission which reinforced the broader concerns and themes raised by riders against the Motor Vehicle Account proposals above.

Appendix Five: Consultation timeline

Sentiment Submissions

Structured Submissions

Significant Submissions

1 September | Consultation begins	The consultation was picked up by most of the main media outlets. Articles provided broad coverage of the proposals while focusing on the potential impacts for families. ACC made social media post focusing on levy rates in general.
2 September | Advertising in newspapers	ACC advertised the consultation in several newspapers directing readers to the ShapeYourACC website.
3 September | Gazette notice	ACC published a notice of the consultation in Te Kāhiti o Aotearoa - New Zealand Gazette.

7 September | Social media post	ACC made a social media post focused on motor vehicle-related levy rates.
10 September | Social media post	The Ride Forever Facebook page posted about the consultation and directed people to the ShapeYourACC website.
11 September| High engagement	Influx of feedback on the motor vehicle levy proposals driven by engagement with the Ride Forever Facebook page.
14 September | Social media post	ACC made a social media post focused on work-related levy rates.
20 September | Accredited Employers Reference Group	Accredited Employers Reference Group meeting - the proposals were explained in depth to accredited employers.
21 September| High engagement	This week there was a large spike in sessions. We think this was driven largely by discussion in private Facebook groups for different motorcyclists' clubs.
22 September | Social media post	ACC made a social media post focused on the Earners levy rates.
23 September | Accredited Employers Reference Group	Second Accredited Employers Reference Group meeting - the proposals were explained in depth to accredited employers.
29 September | Social media post	ACC made a social media post letting readers know they had one week left.
5 October | Consultation ends	The consultation ended with a flurry of significant submissions.

The best baseline to use for the 2021 Levy Consultation is the 2016 levy consultation which similarly focused on a few technical proposals. The 2018 levy consultation had many more proposals and significant investment in outreach, meaning it attracted more engagement.

	2016 consultation		2021 consultation	
	Total online[3]	Total email[4]	Total online	Total email
Week 0			260	1
Week 1	652	7	494	3
Week 2	815	9	999	4
Week 3	929	13	1157	6
Last week of consultation	1038	43	1240	33

[3] Sentiment and structured feedback received on ShapeYourACC.co.nz
[4] Significant, written submissions received via email